



# Annual Report 2015

**Midland Exploration Midland Inc.**  
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# Exploration Midland inc.

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**Midland Exploration Inc.**  
Management Discussion & Analysis  
For the year ended September 30, 2015

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The following discussion and analysis (the “MD&A”) of the financial condition and results of the operations of Midland Exploration Inc. (“Midland” or “the Corporation”) constitutes management’s review of the factors that affected the Corporation’s financial and operating performance for the year ended September 30, 2015. This MD&A should be read in conjunction with the Corporation’s audited financial statements as at September 30, 2015 prepared in accordance with the International Financial Reporting Standards (“IFRS”). All figures are in Canadian dollars unless otherwise noted.

Further information regarding the Corporation and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) in Canada and can be obtained from [www.sedar.com](http://www.sedar.com).

<b>Abbreviation</b>	<b>Period</b>
Fiscal 13	October 1, 2012 to September 30, 2013
Q1-14	October 1, 2013 to December 31, 2013
Q2-14	January 1, 2014 to March 31, 2014
Q3-14	April 30, 2014 to June 30, 2014
Q4-14	July 1, 2014 to September 30, 2014
Fiscal 14	October 1, 2013 to September 30, 2014
Q1-15	October 1, 2014 to December 31, 2014
Q2-15	January 1, 2015 to March 31, 2015
Q3-15	April 30, 2015 to June 30, 2015
Q4-15	July 1, 2015 to September 30, 2015
Fiscal 15	October 1, 2014 to September 30, 2015
Fiscal 16	October 1, 2015 to September 30, 2016

## **1. NATURE OF ACTIVITIES**

Midland, incorporated on October 2, 1995 and operating under the Business Corporations Act (Québec), is a company in the mining exploration business. The Corporation’s operations include the acquisition and exploration of mining properties. The Corporation’s shares are listed on the TSX Venture Exchange (the “Exchange”) under the MD ticker.

## **2. OVERALL PERFORMANCE**

Midland has a working capital of \$9,999,139 as of September 30, 2015 (\$3,137,673 as of September 30, 2014) as well as \$6,496,000 of investments in guaranteed investment certificates with expiry dates over 1 year, which will allow the Corporation to execute its exploration program for at least the next three years.

In December 2014, the Corporation completed private placements by issuing 1,263,288 units at \$0.70 per unit and 1,066,683 flow-through shares at \$0.85 per share, for total gross proceeds of \$1,790,982. In May 2015, the Corporation completed a private placement of 20,622,569 units at a price of \$0.70 per unit for total gross proceeds of \$14,435,798. Finally, on November 20, 2015, the Corporation completed private placements by issuing 835,365 flow-through shares respectively at \$0.85 per share, for total gross proceeds of \$710,060.

On October 10, 2014, Midland signed an option agreement with SOQUEM INC. (“SOQUEM”) whereby SOQUEM has the option to acquire a 50% interest in the Casault and Jouvex properties by funding \$4,500,000 in exploration work. In addition, Midland signed on December 12, 2014 an option agreement with Sphinx Resources Ltd. (“Sphinx”) whereby Sphinx has the option to acquire a 50% interest in the Adam property by funding \$3,000,000 in exploration work and paying \$250,000 in cash.

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**2. OVERALL PERFORMANCE (CONT'D)**

As operator, Midland incurred exploration expenditures totalling \$5,229,029 (\$2,385,109 in Fiscal 14), on its properties of which \$4,035,663 was recharged to its partners (\$1,626,633 in Fiscal 14). The operating partners incurred \$767,880 of exploration expenses (\$79,819 in Fiscal 14). Also, the Corporation invested \$350,195 (\$264,055 in Fiscal 14) to complete several property acquisitions in Quebec of which \$53,152 was recharged to its partners (\$77,717 in Fiscal 14).

The Corporation reported a loss of \$629,098 in Fiscal 15 compared to \$1,974,586 for Fiscal 14.

**Selected annual information**

	<b>Fiscal 15</b>	<b>Fiscal 14</b>	<b>Fiscal 13</b>
	<b>\$</b>	<b>\$</b>	
Revenues	301,452	172,583	18,870
Loss	(629,098)	(1,974,586)	(688,090)
Loss per share, basic and diluted	(0.02)	(0.07)	(0.02)

  

	<b>As at September 30</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	
Total assets	24,407,655	9,892,800	9,953,971

**3. RESULTS OF OPERATIONS**

Operating expenses decreased to \$1,291,084 for Fiscal 15 compared to \$2,359,597 in Fiscal 2014:

- 345,000 options were granted in Fiscal 13, 605,000 in Fiscal 14 and 475,000 in Fiscal 15. Their fair value was estimated at \$251,850, \$272,250 and \$123,500 respectively. This fair value was accounted for according to its vesting period (up to 18 months) or the period in which the services were rendered. Part of this fair value was recorded in the statement of earnings as stock-based compensation (\$187,933 in Fiscal 13, \$170,451 in Fiscal 14 and \$66,913 in Fiscal 15) and the other part was capitalized within the deferred exploration expenses (\$110,512 in Fiscal 13, \$96,274 in Fiscal 14 and \$32,035 in Fiscal 15). The grant of options occurred in February in Fiscal 13 and Fiscal 14 while it occurred in August in Fiscal 15;
- Professional fees increased to \$236,859 (\$197,048 in Fiscal 14) due to increased legal and accounting corporate activities;
- Impairment of exploration and evaluation assets decreased to \$225,826 (\$1,288,721 in Fiscal 14) and the detailed explanations can be found in the investing activities section found later in this MD&A.

Project management fees increased to \$299,418 (\$165,435 in Fiscal 14). In Fiscal 15 the Casault Jouvex projects under option with SOQUEM, the Pallas PGE property under option with JOGMEC and the Samson and Adam properties under option with Sphinx were very active in Fiscal 15. In Fiscal 14, the Pallas PGE and the Valmond project under option with Sphinx were active.

A \$239,297 (\$155,863 in Fiscal 14) recovery of deferred income taxes was recognized to record the amortization, in proportion of the work completed, of the premium related to flow-through shares renunciation following the December 3 and 17, 2014 private placements (December 19, 2013 private placement in Fiscal 14).

**Midland Exploration Inc.**  
Management Discussion & Analysis  
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**4. INVESTING ACTIVITIES**

Deferred exploration expenses Fiscal 15	Balance beginning	Geology	Geophysics	Drilling	Geo-chemistry	Line cutting	Travelling	Sub total	Stock-based compen-	Recharge	Tax credits	Option payment	Write-off	Net change	Balance end
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Abitibi</b>															
Maritime	232,965	-	-	-	-	-	-	-	-	-	-	-	-	-	232,965
Cadillac															
Laflamme Au	1,310,514	20,540	24,499	25,525	119,290	5,460	4,417	199,731	246	-	(3,262)	-	-	196,715	1,507,229
Patris Au	208,755	8,870	-	7,258	-	-	651	16,779	10,388	(16,779)	-	-	-	10,388	219,143
Casault Au	290,082	88,122	161,205	1,565,884	132,650	47,502	13,916	2,009,279	3,425	(2,003,898)	-	-	-	8,806	298,888
Jouvex Au	346,090	30,124	139,704	282,385	12,166	49,085	8,256	521,720	847	(520,200)	-	-	-	2,367	348,457
Heva Au	18,563	12,012	-	-	1,967	-	2,591	16,570	-	-	-	-	-	16,570	35,133
Valmond Au	123,955	3,700	-	66,107	1,063	-	2,018	72,888	6,787	(72,888)	-	(10,000)	-	(3,213)	120,742
Samson Au	-	57,258	147,106	216,491	18,896	49,530	2,852	492,133	439	(492,133)	-	-	-	439	439
La Peltrie	-	4,700	83,047	-	-	30,000	-	117,747	462	-	-	-	-	118,209	118,209
Adam	-	4,610	152,750	-	-	-	-	157,360	-	(157,360)	-	-	-	-	-
Abitibi Au	36,641	21,033	60,248	-	460	-	1,815	83,556	-	-	(2,356)	-	-	81,200	117,841
<b>Grenville-Appalaches</b>															
Weedon Cu Zn Au	388,013	10,440	97,870	-	-	-	458	108,768	-	-	(12,502)	-	-	96,266	484,279
Gatineau Zn	28,766	126	-	-	-	-	-	126	-	-	-	-	-	126	28,892
<b>Bay-James</b>															
Bay-James Au	216,677	-	37,758	-	-	-	-	37,758	-	-	(6,378)	-	-	31,380	248,057
Eleonore Au	1,175,139	249,812	95,972	-	8,764	-	16,548	371,096	6,340	-	(25,223)	-	-	352,213	1,527,352
Bay-James U	14,686	-	-	-	-	-	-	-	-	-	-	-	(14,686)	(14,686)	-
Bay-James Fe	42,158	-	-	-	-	-	-	-	-	-	-	-	(42,158)	(42,158)	-
<b>Québec</b>															
<b>Labrador</b>															
Ytterby ETR	109,090	61,843	-	-	787	-	235	62,865	99	-	-	-	-	62,964	172,054
<b>Northern Quebec</b>															
Pallas PGE	216,088	434,673	-	307,100	55,401	-	25,873	823,047	2,817	(772,405)	(156)	-	-	53,303	269,391
Willbob Au	5,116	108,829	-	-	8,934	-	-	117,763	185	-	(11,113)	-	-	106,835	111,951
<b>Projects generation</b>	39,547	19,373	-	-	-	-	470	19,843	-	-	-	-	-	19,843	59,390
<b>TOTAL</b>	<b>4,802,845</b>	<b>1,136,065</b>	<b>1,000,159</b>	<b>2,470,750</b>	<b>360,378</b>	<b>181,577</b>	<b>80,100</b>	<b>5,229,029</b>	<b>32,035</b>	<b>(4,035,663)</b>	<b>(60,990)</b>	<b>(10,000)</b>	<b>(56,844)</b>	<b>1,097,567</b>	<b>5,900,412</b>

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**4. INVESTING ACTIVITIES (CON'T)**

Deferred exploration expenses Fiscal 14	Balance beginning	Geology	Geophysics	Drilling	Geo-chemistry	Line cutting	Travelling	Sub total	Stock-based compensation	Recharge	Tax credits	Option payment	Write-off	Net changes	Balance end
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Abitibi</b>															
Maritime								760	3,418	-	-	-	-	4,178	232,965
Cadillac Au	228,787	760	-	-	-	-	-	760	3,418	-	-	-	-	4,178	232,965
Laflamme Au	1,167,804	16,340	-	111,503	7,516	-	4,238	139,597	4,112	-	(999)	-	-	142,710	1,310,514
Patris Au	179,176	48,929	-	3,591	9,171	-	297	61,988	26,103	(56,178)	(2,334)	-	-	29,579	208,755
Casault Au	214,479	25,590	26,868	-	4,876	14,032	252	71,618	6,862	-	(2,877)	-	-	75,603	290,082
Jouvex Au	237,576	15,200	66,982	-	-	28,898	-	111,080	-	-	(2,566)	-	-	108,514	346,090
Heva Au	16,149	1,520	-	1,200	-	-	-	2,720	-	-	(306)	-	-	2,414	18,563
Valmond Au	113,507	54,252	256,548	152,345	33,395	31,453	6,084	534,077	18,366	(530,277)	(1,528)	(10,190)	-	10,448	123,955
Samson Au	-	4,560	1,063	-	-	-	1,387	7,010	-	(7,010)	-	-	-	-	-
Abitibi Au	-	36,859	-	-	-	-	-	36,859	-	-	(218)	-	-	36,641	36,641
<b>Grenville-Appalaches</b>															
Weedon Cu, Zn, Au	359,196	13,106	19,337	-	1,548	-	-	33,991	-	-	(5,174)	-	-	28,817	388,013
Gatineau Zn	28,648	132	-	-	-	-	-	132	-	-	(14)	-	-	118	28,766
<b>Bay-james</b>															
Bay-James Au	162,521	54,323	-	-	184	-	2,497	57,004	-	-	(2,848)	-	-	54,156	216,677
Eleonore Au	949,831	196,398	14,150	-	10,671	-	3,094	224,313	16,691	-	(15,696)	-	-	225,308	1,175,139
Bay-James U	14,686	-	-	-	-	-	-	-	-	-	-	-	-	-	14,686
Bay-James Fe	42,158	-	-	-	-	-	-	-	-	-	-	-	-	-	42,158
<b>Québec</b>															
<b>Labrador</b>															
Ytterby ETR	1,277,720	31,759	122	-	6,825	-	-	38,706	15,501	(15,063)	(3,212)	-	(1,204,562)	(1,168,630)	109,090
<b>Northern Quebec</b>															
Pallas PG	210,168	713,648	156,284	115,055	60,175	-	9,376	1,054,538	5,221	(1,018,105)	(35,734)	-	-	5,920	216,088
Willbob Au	-	4,770	-	-	346	-	-	5,116	-	-	-	-	-	5,116	5,116
<b>Projects</b>															
<b>Generation</b>	36,125	5,600	-	-	-	-	-	5,600	-	-	(2,178)	-	-	3,422	39,547
<b>TOTAL</b>	<b>5,238,531</b>	<b>1,223,746</b>	<b>541,354</b>	<b>383,694</b>	<b>134,707</b>	<b>74,383</b>	<b>27,225</b>	<b>2,385,109</b>	<b>96,274</b>	<b>(1,626,633)</b>	<b>(75,684)</b>	<b>(10,190)</b>	<b>(1,204,562)</b>	<b>(435,686)</b>	<b>4,802,845</b>

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**4. INVESTING ACTIVITIES (CON'T)**

Expenses Exploration and evaluation Properties	Actual Fiscal 14			Budget Fiscal 15			Actual Fiscal 15			Budget Fiscal 16		
	Midland	Partner	Total	Midland	Partner	Total	Midland	Partner	Total	Midland	Partner	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>100% owned by Midland</b>												
Abitibi Au	36,860	-	36,860	69,000	-	69,000	83,556	-	83,556	100,000	-	100,000
Heva	2,720	-	2,720	25,000	-	25,000	16,570	-	16,570	80,000	-	80,000
Valmond	-	-	-	-	-	-	-	-	-	15,000	-	15,000
Casault Au	71,618	-	71,618	-	-	-	-	-	-	-	-	-
Jouvex Au	111,080	-	111,080	-	-	-	-	-	-	-	-	-
La Peltrie	-	-	-	200,000	-	200,000	117,747	-	117,747	550,000	-	550,000
Weedon Cu-Zn-Au	33,991	-	33,991	80,000	-	80,000	108,768	-	108,768	100,000	-	100,000
Gatineau Zn	132	-	132	20,000	-	20,000	126	-	126	20,000	-	20,000
James Bay Au	57,004	-	57,004	56,000	-	56,000	37,758	-	37,758	50,000	-	50,000
James Bay U	-	-	-	10,000	-	10,000	-	-	-	-	-	-
James Bay Fe	-	-	-	10,000	-	10,000	-	-	-	-	-	-
Éléonore Au	224,313	-	224,313	311,000	-	311,000	371,096	-	371,096	100,000	-	100,000
Willbob	5,116	-	5,116	61,000	-	61,000	117,763	-	117,763	400,000	-	400,000
Project generation	5,600	-	5,600	83,000	-	83,000	19,843	-	19,843	40,000	-	40,000
	548,434	-	548,434	925,000	-	925,000	873,227	-	873,227	1,455,000	-	1,455,000
<b>With option, 100% owned and operated by Midland and paid by partner</b>												
Valmond Au – Sphinx	3,800	530,277	534,077	-	70,000	70,000	-	72,888	72,888	-	-	-
Pallas PGE Jogmec	36,433	1,018,105	1,054,538	-	500,000	500,000	13,514	809,533	823,047	225,000	225,000	450,000
Samson - Sphinx	-	7,010	7,010	-	500,000	500,000	-	492,133	492,133	50,000	-	50,000
Adam - Sphinx	-	-	-	-	-	-	-	157,360	157,360	50,000	-	50,000
Casault - Soquem	-	-	-	-	762,000	762,000	5,381	2,003,898	2,009,279	-	1,345,000	1,345,000
Jouvex – Soquem	-	-	-	-	238,000	238,000	1,520	520,200	521,720	-	510,000	510,000
	40,233	1,555,392	1,595,625	-	2,070,000	2,070,000	20,415	4,056,012	4,076,427	325,000	2,080,000	2,405,000
<b>With option, 100% owned by Midland, operated and paid by the partner</b>												
Patris Au – Teck	5,810	56,178	61,988	-	445,000	445,000	-	781,225	781,225	-	300,000	300,000
<b>In joint venture</b>												
Maritime-Cadillac-Agnico Eagle (operator) at 51%	760	3,619	4,379	25,000	25,000	50,000	-	-	-	25,000	25,000	50,000
Vermillon- Soquem at 52.5%	-	76,200	76,200	-	-	-	-	3,434	3,434	-	-	-
Ytterby REE-Jogmec at 49.5%	23,642	15,063	38,705	10,000	10,000	20,000	-	62,865	62,865	20,000	-	20,000
Laflamme Au – Aurbec at 35.1%	139,597	-	139,597	195,000	-	195,000	199,731	-	199,731	100,000	-	100,000
	163,999	94,882	258,881	230,000	35,000	265,000	199,731	66,299	266,030	145,000	25,000	170,000
	<b>758,476</b>	<b>1,706,452</b>	<b>2,464,928</b>	<b>1,155,000</b>	<b>2,550,000</b>	<b>3,705,000</b>	<b>1,093,373</b>	<b>4,903,536</b>	<b>5,996,909</b>	<b>1,925,000</b>	<b>2,405,000</b>	<b>4,330,000</b>

#### **4. INVESTING ACTIVITIES (CONT'D)**

When the work is done and paid by the partners, the expenses are not included in the Midland accounts. The previous table shows all the work being done on Midland's properties including work done and paid by operating partners. This table excludes stock-based compensation that has been capitalized.

Gino Roger, geological engineer, president and director of Midland, qualified person under NI 43-101, has reviewed the following technical disclosure.

#### **HIGHLIGHTS**

- ***New high-grade gold discoveries on Willbob***
- ***Several new PGE reefs identified on Pallas***
- ***New gold-bearing zones discovered on Casault***
- ***Prospecting returns high-grade gold values on Heva***
- ***New priority targets identified on Jouvex***
- ***IP surveys commencing on La Peltrie and Patris***
- ***13,913.7 metres drilled in Fiscal 15***

#### **ABITIBI**

##### **4.1 Maritime-Cadillac (Au)** in partnership with Agnico Eagle and operated by Agnico Eagle

###### *Property Description*

The property is located in the Abitibi region in Quebec, along the Cadillac-Larder break and is composed of 7 claims. The Corporation holds 49% of the Maritime-Cadillac property located south of the Lapa mine. This property is subject to a 2% net smelter return ("NSR") royalty; half of the royalty can be bought back for a payment of \$1,000,000.

As per the agreement signed in June 2009 and amended in November 2012 and May 2013, Agnico Eagle Mines Limited ("Agnico Eagle") and the Corporation are in a joint venture and future work are shared 51% Agnico Eagle - 49% the Corporation.

###### *Exploration work on the property*

Data compilation and integration continued during Fiscal 15 in the Lapa-Maritime Cadillac area by our partner Agnico Eagle, in order to complete the construction of a 3D model. New exploration targets will be defined for Fiscal 16 along this segment of the Cadillac Break.

##### **4.2 Laflamme (Au-Ni-Cu-PGE)**, in partnership with Aurbec Mines Inc. and operated by Midland

###### *Property Description*

In 2009, the Corporation staked claims by map staking about 25 kilometres west of Lebel-sur-Quévillon in the Abitibi region. As at September 30, 2015, the Laflamme property consists of a total of 506 claims covering an area of approximately 26,630 hectares. As of September 30, 2015, Midland holds 64.9% of the property.

On August 17, 2009, the Corporation signed an agreement with Aurbec Mines Inc., (previously a subsidiary of North American Palladium Ltd.) that was sold to Maudore Minerals Ltd in March 2013. As of July 31, 2011, Aurbec earned its 50% interest in the Laflamme property but no longer contributes in the exploration programs and is therefore being diluted. In January, 2015, Aurbec was declared bankrupt and the liquidation process is proceeding.

Some claims were dropped in Fiscal 15, therefore the Corporation impaired partially for \$14,690 the exploration property cost (\$2,784 in Fiscal 14).



#### **4. INVESTING ACTIVITIES (CONT'D)**

##### *Exploration work on the property*

In December 2014, Midland completed a grid and a ground-based electromagnetic survey in order to investigate a series of untested VTEM conductors located about 2 kilometres north of drill hole LA-11-08.

The latter intersected a new zone with Ni-Cu-PGE mineralization along the contact with an ultramafic intrusion, which graded 0.66% Ni, 0.35% Cu, 0.17 ppm Pt and 0.16 ppm Pd over 8.0 metres, including a high-grade zone at 1.55% Ni, 0.53% Cu, 0.26 ppm Pt and 0.28 ppm Pd over 1.60 metres.

A drilling program totalling 1,263.0 metres in four (4) holes was completed during Q3-15. This program was aiming to test the best Max-Min and TDEM-ARMIT conductors in the northeastern portion of the property.

Hole **LAF-15-34** tested a Max-Min conductor (EM-1) on the SSE grid. The conductor is well explained by the presence of a graphitic mudstone mineralized with 2-5% Py with local massive sulphide (Py) sections. A second mineralized zone (1-5% Py) with local massive pyrite was intersected between 170.3 and 178.0 m. The best result returned 0.35 g/t Au over 1.5 metre from 114.0 to 115.50 metres.

Hole **LAF-15-35** also tested a Max-Min conductor (EM-4) along the same structure and at about 2 km to the NW of hole 34. In addition to a graphitic mudstone with pyrite that explains the conductor, three (3) other mineralized zones containing between 2-10% pyrite were intersected from 259.2 to 261.95m, from 272.85 to 277.50 m and from 300.0 to 320.0 metres. No significant assay results obtained in this hole.

Hole **LAF-15-36** tested a TDEM-ARMIT conductor associated with a strong magnetic anomaly to the north of the 2011 Ni-Cu-PGE shoeing in hole LA-11-08. The mag is explained by the presence of a magnetic gabbro and not by ultramafics as anticipated. The explanation for the weak conductor is not clear, 3% of qtz-cb veins with traces-1% py were intersected from 170.75 to 180.15 m or from 211.65 to 214.0 m where a rhyolite unit containing local stringers of Sp-Cpy-Po was intersected. No significant assay results obtained in this hole.

Hole **LAF-15-37** tested a weak TDEM-ARMIT conductor as well but in this case it is associated with a mag low. A strongly sericitized rhyolite unit was intersected but no clear evidence for a conductor. The best assay returned 185 ppb Au over 1.5 metre.

A drilling campaign is currently in preparation for Fiscal 16. This program will aim to test a BHEM off-hole anomaly detected in the discovery hole of the Ni-Cu-PGE showing in hole LA-11-08.

#### **4.3 Patris (Au), in partnership with Teck and operated by Teck**

##### *Property Description*

The Corporation acquired claims by map staking about 30 kilometres to the north-east of Rouyn-Noranda. As at September 30, 2015, this property consists in 248 claims covering an area of approximately 10,284 hectares. Some claims are subject to the following NSR royalties:

- 1%, the Corporation can buy it back for \$500,000 per 0.5% tranche for a total of \$1,000,000;
- 1.5%, the Corporation can buy it back for \$500,000 per 0.5% tranche for a total of \$1,500,000.
- 2%, the Corporation can buy it back for \$1,000,000 per 1% tranche for a total of \$2,000,000;
- 2%, the Corporation can buy it back for \$1,000,000 per 1% tranche for a total of \$2,000,000;
- 2%, the Corporation can buy it back for \$500,000 the first 1% tranche and for \$1,000,000 for the second 1% tranche, for a total of \$1,500,000.

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**4. INVESTING ACTIVITIES (CONT'D)**

The Corporation signed an option agreement with Teck Resources Ltd ("Teck") on September 6, 2013 and amended it on May 20, 2014 to accommodate the delays in permitting. Under the agreement, Teck may earn, in three options, a maximum interest of 65%, by fulfilling the following conditions:

	<b>Payments in cash</b>	<b>Work</b>
	<b>\$</b>	<b>\$</b>
<b>First Option for a 50% initial interest</b>		
On or before August 31, 2015 (firm commitment)(completed)	-	500,000
On or before August 31, 2016	-	800,000
On or before August 31, 2017	-	1,700,000
	-	3,000,000
<b>Second Option for a 10% additional interest</b>		
On or before August 31, 2019, \$500,000 of exploration work and \$60,000 cash payment for each additional 2% interest	300,000	2,500,000
<b>Third Option for a 5% additional interest</b>		
On or before August 31, 2021, \$1,000,000 of exploration work for each additional 1% interest	-	5,000,000
<b>Total, for a 65% maximum interest</b>	<b>300,000</b>	<b>10,500,000</b>

Teck will be project operator during the First Option.

*Exploration work on the property*

During Q2-15, a diamond drilling program consisting in seven (7) holes totalling 1,298.0 metres was completed by Teck on the Patris property. These holes tested the best IP anomaly located along the Porcupine-Destor and the La Pause fault zones. One of these holes was extended in order to test 100 metres below hole PAT-11-15 which had returned 0.48 g/t Au over 17.0 metres.

Holes **PAT-15-01** and **PAT-15-02** tested the IP anomaly located just north of the Caste Lake sediments to the east of the Caste Lake. Both holes intersected mineralized mafic-ultramafic rocks and sediments that explained the IP responses.

**PAT-15-03** intersected altered (fuschite) alteration and local hematized dykes. Traces of VG were identified in a quartz-carbonate vein at about 29.9 metres. The hole got stucked in a fault zone and was abandoned at 56.0 metres.

**PAT-15-04** was re-collared and the casing was rimed trough the fault zone. The hole intersected sediments with pyrite that can explain the IP anomaly.

**PAT-15-05** intersected approximately 100m of alteration and mineralization including but not limited to: 2 zones with 20+ m of quartz veining containing galena, chalcopryite in the upper quartz vein and molybdenite, pyrite, chalcopryite with trace arsenopryite in the lower quartz vein. This zone has up to 10% sulphides. The wall rock is fuchsite altered ultramafic with quartz-dolomite veining, syenite dykes and narrow iron carbonate veins.

**PAT-15-06** (PAT-11-16EXT) was completed at a final depth of 369.0 metres. This hole intersected a strongly silicified and hematized zone with pyrite in the altered monzonite intrusion.

**PAT-15-07** (Target IP-E) was completed at a depth of 198.0 metres. This hole intersected basalts and ultramafic rocks cut by hematized and sericitized felsic dykes. Local possible potassic alteration was also noted. Local milky quartz veins with traces of pyrite were intersected in the felsic intrusion. A major fault zone was intersected at about 66.0 metres.

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**4. INVESTING ACTIVITIES (CONT'D)**

All assay results have been received during Q3-15 for the winter drilling program. The main highlight consists in the identification of a large alteration zone in hole PAT-15-05. Drill hole PAT-15-05 tested an induced polarization anomaly located near the Destor-Porcupine Fault. The drill hole intersected a wide alteration zone with pyrite, pyrrhotite, chalcopyrite, galena, and molybdenite within ultramafic rocks strongly altered to fuchsite, quartz and carbonates.

This alteration zone was intersected over a drill length of approximately 100 metres and locally yielded anomalous copper, molybdenum, silver, and lead values. Grades of 82.6 g/t Ag, 0.10 g/t Au, 0.22% Cu and 1.0% Pb over 1.0 metre were obtained from 176.5 to 177.5 metres.

An IP survey totalling 18.0 kilometres is in progress and is trying to identify new anomalies laterally of the alteration zone in drill hole PAT-15-05 over a distance of about 2.5 km.

**4.4 Casault (Au), in partnership with SOQUEM and operated by Midland**

*Property Description*

The Corporation acquired claims by map staking about 40 kilometres to the east of the Detour Lake gold project located north of the city of La Sarre. At the end of Fiscal 14, this property consists in 300 claims covering an area of approximately 16,507 hectares.

On October 10, 2014, the Corporation signed a letter of intent with SOQUEM to grant SOQUEM the option to acquire a 50% undivided interest in its Casault and Jouvex properties, and to create a joint venture once the option has been exercised, under the following conditions:

	<b>Work</b>
	<b>\$</b>
On or before October 10, 2015 (firm commitment)(completed)	1,000,000
On or before October 10, 2016 (completed)	1,000,000
On or before October 10, 2017	1,000,000
On or before October 10, 2018	1,500,000
	<b>4,500,000</b>

Midland is the project operator during the option period.

*Exploration work on the property*

During Q2-15, a drilling program consisting in seventeen (17) holes and totalling 3,467.2 metres was completed on Casault in partnership with SOQUEM. This program targeted the most promising gold occurrences discovered in 2012-2013. These areas include the north contact of the Turgeon pluton, where drill hole CAS-12-07 returned 10.4 g/t Au over 1.45 metres, as well as areas immediately north and west of the conglomerate basin with pyrite and jasper clasts identified in 2013. In the northern area, drill hole CAS-13-28A had been terminated in a gold-bearing zone grading 0.29 g/t Au over 9.0 metres. Two holes have also been completed to test IP anomalies on the central block.

An IP-Orevison survey was also completed during the Q2-15 (South Grid). This survey totalling 17.1 km identified several strong chargeability responses near the granodiorite contact. These anomalies correspond to the mineralized package (sediments and diorite intrusions) found between the Turgeon Pluton and the mafic volcanics. Two drillholes (CAS-15-47 and 48) were completed respectively on lines 13+00E and 2+00W to test this IP axis.

Another IP-Orevison survey was also completed in March 2015 on the North Grid. This grid totalled approximately 25 kilometres. Several new IP anomalies were identified on this North grid.

#### **4. INVESTING ACTIVITIES (CONT'D)**

**CAS-13-30EXT** was completed at a final depth of 195.0 metres, for a deepening of 45.0 metres. This hole was drilled 250 metres west of hole CAS-12-07 and intersected over 10-15% Po-Py over 5.0 metres before ending in a granodiorite. Assays did not return any significant gold results with a maximum of 43 ppb Au over 0.60 m from 163.0 to 163.6 metres.

**CAS-13-28AEXT** was deepened from 202.2 to 300.0 metres. The mineralized (Py) and gold-bearing zone associated with a quartz-carbonate swarm in a gabbro in hole CAS-13-28AEXT was intersected for an additional 15-20 metres. The best mineralized zones were between 214.32 and 214.78 m (3-5% Py, loc.7%) and between 223.77 and 224.53 m (5-7% Py). The rest is mineralized with 1-3% Py. The best assay results returned 0.12 g/t Au over 0.50 metre from 216.7 to 217.2 m; 0.11 g/t Au over 0.50 metre from 217.7 to 218.2 m and 0.17 g/t Au over 0.76 metre from 223.77 to 224.53 m.

**CAS-15-38** (Target L; central block) was completed at 162.0 metres. After 25.1 m of casing, the hole intersected chloritized conglomerates with traces of pyrite-pyrrhotite. No significant result was obtained.

**CAS-15-39** (Target M; central block) ended at a final depth of 165.0 metres. This hole targeted an IP anomaly at the southern edge of the conglomerates. From 68.5 to 106.35 m, the hole intersected chloritized tuffs locally mineralized with pyrite. From 106.35 to 124.8 metres, a sericitized conglomerate was intersected with local graphite. No significant assay result was obtained in this hole.

**CAS-15-40** (Target A; 100 m below hole CAS-12-07) finished at a depth of 405.0 metres. Several Py-Po zones were intersected within the MCZ diorite (mixed contact zone) between the granodiorite and the mafic volcanics. A quartz vein in the granodiorite returned 6.27 g/t Au over 0.5 m from 59.5 to 60.0 m. The other best results returned 1.54 g/t Au over 0.50 m from 83.5 to 84.0 m and 1.25 g/t Au over 0.50 m from 312.9 to 313.4 m and finally 0.11 g/t Au over 0.95 m from 353.0 to 353.95 m.

**CAS-15-41** (Target B; 100 m west of CAS-12-07) traversed 31.3 metres of overburden and intersected the granodiorite down to 97.5 metres. Following that, it intersected a mix of mudstones and granodiorite injections with locally pegmatite dykes down to 235.45 metres. The hole finished in the basalt at a depth of 297.0 metres. Several mineralized zones (Py-Po-+/- Cp) were intersected. The best results returned 1.19 g/t Au over 2.5 m including 3.65 g/t Au over 0.5 m.

**CAS-15-42** (Target C; 100 m east of CAS-12-07) was completed at 261.0 metres. This hole intersected several silicified and sericitized zones mineralized with Py-Po-Mo-Cpy within the MCZ diorite. From 203.45 to 210.0 metres, assays returned 0.22 g/t Au over 6.55 metres including 1.46 g/t Au over 0.85 metre and 0.47 g/t Au over 0.93 metre.

**CAS-15-43** (Target D; 300 metres east of 28AEXT) ended at 171.0 metres, Veins of quartz-carbonate-tourmaline were intersected at the beginning of the hole. The best assay result returned 0.22 g/t Au over 0.60 metre from 61.7 to 62.3 metres.

**CAS-15-44** (Target E; 600 metres east of 28AEXT) was completed at a final depth of 172.0 metres. Mineralized (py) felsic porphyry intrusions were intersected. This hole also intersected a silicified-sericitised and albitized alteration zone with fine pyrite.. This hole intersected a series of silica, sericite and hematite alteration zones with anomalous gold values (> 100 ppb Au), occurring in discontinuous fashion over more than 100 metres and locally grading up to 0.47 g/t Au over 1.0 metre from 146.0 to 147.0 metres. The entire contact of the QFP body has not been explored yet, and the contact with the magnetic gabbros remains untested.

This new exploration target is located about 5.5 kilometres west of the Bug Lake zone held by Balmoral Resources Ltd, where felsic porphyry intrusions were observed and where a drill intersection grading 19.55 g/t Au over 44.45 metres was recently reported. The best results within the QP intrusion returned 0.47 g/t Au over 1.0 m, 0.29 g/t Au over 1.95 m, 0.19 g/t Au over 2.20 m, 0.13 g/t Au over 1.95 m and 0.13 g/t Au over 1.50 m.

#### 4. INVESTING ACTIVITIES (CONT'D)

**CAS-15-45** (Target F; 600 metres east of 28AEXT) was completed at 167.4 metres. The hole intersected a mineralized (Py) felsic porphyry intrusion at 135.05 metres. The hole ended in basalt. No significant result was obtained.

**CAS-15-46** (Target G; 1.8 km east of 28AEXT) intersected blocky and lapillis tuffs weakly mineralized from 107.4 to 108.4 m. The hole ended at 204.0 metres. No significant result was obtained.

**CAS-15-47** (Target IP L13+00E) was completed at a final depth of 285.0 metres. After 33.2 metres of casing, the hole cut the granodiorite intrusion down to 85.9 metres. After that, the hole intersected graywackes cut by several granodioritic and pegmatitic dykes. The sediments are strongly silicified in general with local biotite-garnet enrichment. No significant result was received.

**CAS-15-48** (Target IP L2+00W) ended at 300.0 metres and the IP anomaly is well explained by the presence of several well mineralized zones (Py-Po). No significant result was obtained.

**CAS-15-49** (Target IP-I, 100 m west of CAS-13-36) did traverse 60.7 metres of overburden before intersecting a mafic volcanic rock containing up to 40% quartz veins with 1-3% Py from 60.7 to 64.25 metres. Following that, a mix of mafic volcanic and intermediate sericitized tuffs (2-3% Py) was intersected down to 70.40 metres. Between 70.4 and 126.2 metres, a crystal tuff (fp) mixed with altered (sericite-potassic and chlorite) mineralized with 1-2% Py QFP dykes was intersected. The hole then intersected pillowed basalt and finished in a gabbro at a depth of 186.0 metres. No significant assay result to report.

**CAS-15-50** (Target IP-H) was completed at a final depth of 174.0 metres. This hole intersected mafic volcanics and gabbros locally mineralized with traces to 1% pyrite. The volcanics are cut by several altered zones consisting in quartz-carbonate veinlets with up to 3% pyrite. No significant result to report.

**CAS-15-51** (Target IP-J) and **CAS-15-52** (Target IP-K) have been completed respectively to final depths of 219.0 and 156.0 metres. Both holes tested historical IP anomalies identified by Placer Dome in 1995. Both holes intersected mineralized conglomerates containing mineralized (Py) fragments and mineralized quartz veins (cm) mineralized in pyrite explaining well the IP anomalies. No significant result was obtained during Q4-15.

Following this program, a new 5,000 metres drilling program was approved. This program was designed to test the contacts of the gold-bearing QP intrusion identified in hole CAS-15-44, to drill the 2012 showing towards the west to test for possible N-S oriented veins, to test the intersection of the interpreted extension of the Bug Lake fault with the Sunday Lake fault and to test the best IP and TDEM-ARMIT anomalies respectively on the north grid and the East Block.

During Q3-15, a total 15 holes totalling 5,002.0 metres was completed and a total of 3,341 samples were sent for analysis (plus an additional 143 standards and 156 blanks).

Following is the description for each hole of this 2015 summer drilling program.

Hole **CAS-15-53A** was abandoned at 30.0 metres because the dip was at -50 instead of -60 degrees.

Hole **CAS-15-53** was completed at a final depth of 353.0 metres. This cisor hole was targeting the high grade gold zone which has been discovered in 2012 in hole CAS-12-07 which had returned 10.4 g/t Au over 1.45 metres. Hole 53 intersected mineralized quartz veins (+/-5% Py overall) over 5.7 metres from 174.8 to 180.5m. These veins are hosted by the mixed assemblage of meta-rhyolites and meta-diorite found within the contact zone just north of the Turgeon pluton.

#### 4. INVESTING ACTIVITIES (CONT'D)

Hole **CAS-15-54** was designed to test the IP and the low mag anomaly identified on line 8+00E approximately 200 metres to the east of holes CAS-12-07 and within the same stratigraphic package as hole 53. Hole 54 was completed at a final depth of 302.0 metres. This hole intersected a tension quartz vein with traces of pyrite over 5.0 metres from 212.5 to 217.5 m.

Hole **CAS-15-55** was drilled towards the west in order to verify the possibility of a major N-S structure in this area. No major fault zone was intersected but altered gabbros with local quartz-tourmaline veins with traces of Py were intersected down to 171.0 metres. Some local minor shear zones have also been intersected with this hole which ended at 418.0 metres within a tuff unit.

Hole **CAS-15-56** was drilled as a cisor hole towards the south in order to cross the southern contact of the gold-bearing QFP intrusion intersected in hole CAS-15-44 during the winter program. The hole intersected the QFP dyke from 103.0 to 126.7 metres. The southern contact with the gabbro is strongly sericitized and sheared over 4-5 metres while the northern contact with the mafic volcanics is heavily mineralized with pyrite over a couple of metres. Another sericitized porphyry dyke mineralized with 1-4% Py was intersected from 164.4 to 177.85 metres. The hole ended at 382.0 metres within a gabbro.

Hole **CAS-15-57** was completed at a final depth of 418.0 metres. This hole tested the two IP anomalies located about 600 metres to the east of the QFP intersected in holes 44 and 56. The hole entered bedrock at 18.0 metres and intersected an altered (hematite-quartz-sericite) QFP intrusion containing traces to locally 1% pyrite down to 137.8 metres. The contact zone between 137.8 and 182.0 metres shows the presence of porphyritic Qtz-Fp grains with traces of pyrite. From 182.0 to 218.0 metres, the hole intersected chloritized mafic volcanics containing several Qtz-Cb veins with heavy pyrite, locally semi-massive with traces of chalcopyrite. Again from 218.0 to 231.0 metres, up to 10% Qtz-Cb veins with heavy pyrite was intersected within the chloritized mafic volcanics. From 231.0 to 374.0 m, the Qtz-Cb veins with local pyrite are still present and an epidote alteration appears at about 374.0 metres. The hole ended at 418.0 metres in a gabbro.

Hole **CAS-15-58A** was abandoned at 91.0 metres because of an alignment or a deviation problem within the casing.

Hole **CAS-15-58** hit bedrock at 45.0 metres was completed with the gabbro at a final depth of 355.0 metres. Several silicified zones with quartz veins and minor pyrite were intersected. This hole tested 300 metres west of the 0.29 g/t Au over 9.0 metres intersected in the pyritized gabbro in hole CAS-13-28A.

Hole **CAS-15-59** was completed to a depth of 357.0 metres. This hole is testing an IP anomaly associated with a high mag anomaly where the mag changes from E-W to a SW-NE orientation. The hole entered bedrock at 54.0 metres into a grey quartz siltstone up to 125.0 metres and on north to a gabbro till the end of the hole. However, from 322.0 to 332.0 metres a QP intrusion is present with sericite alteration and quartz veins present at its contacts.

Hole **CAS-15-60** was completed to a depth of 292.0 metres. This hole is testing the intersection between the Sunday Lake deformation zone and the interpreted extension of the Bug Lake fault (Martinière). The hole entered bedrock at 43.0 metres and the hole is summarized by an alternation of mafic to felsic tuffs. From 133.5 to 140.0m the tuff is altered in sericite and contains up-to 5% pyrite and quartz veins. From 133.6 to 135.0 up to 10% cubic pyrite can be observed.

This mineralized zone is also deformed and could correspond to the Bug Lake structure. From 219.0 to 223.0m another mineralized horizon is intersected containing traces of pyrrhotite-pyrite and chalcopyrite locally.

#### 4. INVESTING ACTIVITIES (CONT'D)

Hole **CAS-15-61** was completed to a depth of 397 metres. The hole is testing the southeast extension of the Bug Lake mineralized fault on our property near and north of the Sunday Lake deformation zone. The hole entered bedrock at 48.0 metres into a mafic tuff unit. The tuff is fine grained, strongly foliated and weak carbonate alteration is present throughout the hole. At around 307.0 metres, the tuff becomes more felsic and brecciated (breccia). It is then mineralized in pyrrhotite-pyrite stringers for several metres. At 385.0 metres, the mineralization is weaker with only traces of pyrite in a block tuff and finally ends in a gabbro.

Hole **CAS-15-62** was completed to a depth of 320.0 metres. This hole is testing an IP chargeability anomaly associated with a low magnetic anomaly, located in the western extension of Balmoral's 2014 newly identified gold structure, on line 68+00E. The hole entered bedrock at 12.0 metres into basaltic rocks. From 44.5 to 51.5 a QP intrusion is present and from 51.1 to 92.8 half-centimetre pyrrhotite-pyrite veinlets are present locally. These are conductive and resemble pillow boundaries. Later from 294.0 to 299.5 metres, another horizon rich in pyrrhotite and pyrite is present (in basalt).

Hole **CAS-15-63** was completed to a depth of 202.0 metres. This hole is testing an IP anomaly (Line 71+00E) associated to a strong magnetic anomaly and near a northwest-southeast structure interpreted on the ground magnetic survey. The hole entered bedrock at 6.0 metres into a basalt. Pillow structures are observed and sulfides (pyrrhotite – pyrite) are locally present at their boundary. The hole can be summarized by a mafic volcanic unit (basalt) intruded several times by four (4) QP dykes of varying width (from 0.5 to 10.0 metres). From 50.0 to 54.0 metres approximately, semi-massive pyrrhotite-pyrite veinlets are present which could explain the strong anomaly. Also, the deepest QP intrusion, from 183.5 to 191.0 metres is hematized and contains veinlets of epidote with traces up to 1% pyrite.

Hole **CAS-15-64** was completed to a depth of 229.0 metres. This hole is testing a moderate chargeability IP anomaly (Line 80+00E) near another northwest-southeast interpreted structure and also in the extension of a north-south interpreted second structure. The hole entered bedrock at 15.0 metres into a silt rich sediment. A fault might be present at 73.0 metres. The siltstone is present until 84.0 metres and is a gabbro until the end of the hole. From 129.2 to 133.0m quartz stringers, or stockworks, containing traces of disseminated pyrite and chalcopyrite is present.

Hole **CAS-15-65** was completed to a depth of 232.0 metres. This hole is testing a strong but small TDEM conductor on the eastern claim block. The hole entered bedrock at 24.0 metres into an Andesite with maybe felsic tuffs intervals throughout the entire hole. Several pyrrhotite-pyrite and chalcopyrite traces stringers and veinlets are present from 42.0 to 43.0, 58.0 to 58.5, 59.8 to 59.9, 63.4 to 64.3, 114.9 to 115 and finally 119.0 to 120.0. Some of these horizons are quartz rich and some show similarities to cherty layers.

Hole **CAS-15-66** was completed to a depth of 286.0 metres. The hole is testing a moderate but large conductor identified by the TDEM survey about 500 metres southeast of CAS-15-65. The hole entered bedrock a 24.0 metres into an andesite until the end of hole. From 89.0 to 280.0 metres there are at least 11, smaller than 1.0 metre wide, pyrrhotite stringers associated to pillow boundaries and/or quartz veins or cherty horizons. These stringers contain traces of chalcopyrite and are explain the conductor. Arsenopyrite (tr) has also been observed 166.0 to 166.4 metres in the host rock of a quartz cherty vein.

Hole **CAS-15-67** was completed to a depth of 214.0 metres. The hole is testing a strong TDEM vertical conductor in contact with a high magnetic anomaly near the Sunday Lake deformation zone.

The hole entered bedrock at 48.0 metres into a graphitic siltstone which was observed until the end of the hole. At least 7 several metres thick graphitic and pyrite bearing horizons were observed. From 186.5 metres to 202.0 metres felsic and QFP intrusions are present. The thickest one is from 199.2 to 202.0 metres and contains disseminated pyrite. Also, several faults (fault mud) are present within the graphitic horizons. These graphitic horizons explain the strong conductor.

#### 4. INVESTING ACTIVITIES (CONT'D)

Following are the assay results for this 2015 summer drilling program received in Q4-15.

Drill hole **CAS-15-53** was drilled westward in order to verify the possibility of an auriferous veins system oriented roughly north-south. These veins had not been intersected by previous works because they had been drilled with a northward direction. From 163.80 to 164.00 metres and 169.00 to 169.60 meters, two gold zones interpreted as corresponding with the 2012 discovery in the drill hole CAS-12-07, respectively reported 8.3 g/t Au over 0.20 metre and 6.1 g/t Au over 0.60 metre. In addition to this area, three (3) new zones of gold-bearing quartz veins were intersected slightly to the west and reported:

- 3.8 g/t Au on 0.60 metre (From 277.90 to 278.50 metres)
- 5.4 g/t Au on 1.00 metre (From 295.00 to 296.00 metres)
- 6.9 g/t Au on 1.10 metre (From 335.00 to 336.10 metres)

In addition, several other gold anomalous zones were also identified in drill hole **CAS-15-53** and reported:

- 0.38 g/t Au on 4.50 metres (From 150.00 to 154.50 metres)
- 0.98 g/t Au on 1.00 metre (From 176.00 to 177.00 metres)
- 0.58 g/t Au on 1.15 metre (From 209.45 to 210.60 metres)
- 0.35 g/t Au on 3.05 metres (From 274.85 to 277.90 metres)

These new areas remains unexplored and open in all directions and they identify a new potential for more than 10 kilometres of possible structures oriented north-south near the northern contact of syntectonic Turgeon pluton.

#### Gold-bearing porphyry sector (QFP)

During the summer drill campaign, a total of fifteen (15) drill holes totaling 5,002.00 metres was completed. Of these, five (5) drill holes, CAS-15-55 to CAS-15-59, were drilled in the gold-bearing porphyry intrusion sector which had been updated in drill hole CAS-15-44 last winter. These five holes, spread over a distance of 2 kilometres, intersected several anomalous gold values associated with porphyry intrusions and altered gabbro in silica, sericite, and hematite locally, confirming the excellent gold potential of this sector which is strategically located in a folded zone in contact between the basin conglomerates 'Timiskaming' type and the mafic volcanics. In addition, new anomalous zones were intersected for the first time in the mafic volcanics north contact of the porphyry intrusion. Among the best anomalous zones above 150 ppb Au on at least half a meter intersected in the area, note that:

Drill hole **CAS-15-55** (Drilling west to test the north-south possible structure)

- 0.64 g/t Au on 0.50 metre (From 173.70 to 174.20 metres)

Drill hole **CAS-15-56** ( Cisor drill hole with CAS-15-44 survey)

- 0.29 g/t Au on 5.05 metres (From 90.50 to 95.55 metres)
- 0.16 g/t Au on 1.50 metre (From 117.00 to 118.50 metres)
- 0.15 g/t Au on 1.50 metre (From 190.00 to 191.50 metres)



#### **4. INVESTING ACTIVITIES (CONT'D)**

Drill hole **CAS-15-57** (Drilling northward at 600 metres east of CAS-15-56)

- 0.22 g/t Au on 1.50 metre (From 35.00 to 36.50 metres)
- 0.18 g/t Au on 0.50 metre (From 38.33 to 38.83 metres)
- 0.16 g/t Au on 0.80 metre (From 97.45 to 98.25 metres)
- 0.19 g/t Au on 0.50 metre (From 122.50 to 123.00 metres)
- 0.52 g/t Au on 0.50 metre (From 129.10 to 129.60 metres)
- 0.24 g/t Au on 1.00 metre (From 183.00 to 184.00 metres)
- 0.18 g/t Au on 1.10 metre (From 204.00 to 205.10 metres)
- 0.15 g/t Au on 0.60 metre (From 385.90 to 386.50 metres)

Drill hole **CAS-15-58** (Drilling south at 330 metres west of CAS-13-28A)

- 0.22 g/t Au on 3.00 metres (From 145.00 to 148.00 metres)
- 0.20 g/t Au on 0.80 metre (From 152.00 to 152.80 metres)
- 0.42 g/t Au on 0.50 metre (From 171.00 to 171.50 metres)
- 0.31 g/t Au on 6.00 metres (From 199.00 to 205.00 metres)

Drill hole **CAS-15-59** (Drilling north-west at 600 metres south-west of CAS-15-58)

- 0.20 g/t Au on 2.50 metres (From 192.50 to 195.00 metres)
- 0.39 g/t Au on 1.50 metre (From 249.50 to 251.00 metres)

The other drill holes completed during this campaign to test geological and structural targets and also induced polarization geophysical regional target and TDEM, did not return significant in gold value despite the fact that all targets were explained by the presence of sulfides. Midland and SOQUEM are currently studying the opportunity to add more drill holes in order to follow in the area of drill hole CAS-15-53 as well as in the gold porphyry intrusion sector.

A new drilling program consisting of eight (8) holes totalling 2,800 metres is commencing and will be completed during Fiscal 16.

#### **4.5 Jouvex (Au), in partnership with SOQUEM and operated by Midland**

##### *Property Description*

The Corporation acquired claims by map staking about 50 kilometres to the southwest of Matagami. As at September 30, 2015, this property consists in 378 claims covering an area of approximately 21,102 hectares. Some claims were dropped in Fiscal 14 therefore the Corporation impaired partially in 2015 for \$3,150 the exploration property cost.

See the Casault section for the details on the agreement signed with SOQUEM.

##### *Exploration work on the property*

During Q2-15, a drilling program consisting in eight (8) holes and totalling 1,258.0 metres was completed on Jouvex in partnership with SOQUEM. This program targeted the best historical IP anomalies and a VTEM conductor identified during the last years. One hole (JOU-15-01) was also completed to test a very strong conductor located east of the historical intersection that returned 6.2 g/t Au over 1.52 metre.

Moreover, three (3) holes were completed to test the best IP-Orevison anomalies identified during the 2015 survey.

#### **4. INVESTING ACTIVITIES (CONT'D)**

The IP Orevision survey on Jouvex totalling about 35 km was completed during Q2-15. Several new anomalies have been identified in the regional magnetic low. Following the interpretation of the survey, three (3) drilling targets were added namely H-I-J.

**JOU-15-01** (Target A) was completed at a final depth of 171.0 metres. This hole targeted a very strong conductor associated with a high chargeability IP anomaly. The hole intersected a graphitic mudstone with 5-10% Py from 82.0 to 82.45 m followed by a massive sulphide (Po) horizon from 82.45 to 83.45 metres, explaining the conductor. A second zone with graphite was intersected from 90.0 to 93.2 metres. This hole also cut a large alteration zone (quartz-carbonate) mineralized with up to 2-5% Py from 83.45 m to 90.0 metres and between 93.2 and 133.0 metres. Analyses were received and the best result returned 0.19 g/t Au over 1.0 metre from 74.0 to 75.0 metres.

**JOU-15-02** (Target B) was completed at 140.0 metres. This hole cut a few bans of semi to massive pyrite within intermediate tuffs. A graphitic mudstone with 3% Py was cut between 101.0 and 106.0 metres. From 41.26 to 42.66 m, an interval with semi-massive pyrite returned 0.43 g/t Au over 1.4 metres.

**JOU-15-03** (Target C) was abandoned in the overburden at a depth of 86.0 metres because of a broke casing. No significant assay result was obtained.

**JOU-15-04** (Target D) tested an IP anomaly and intersected 1-5% Py nodules within a conglomerate unit between 90.0 and 100.0 metres. The hole ended at 159.0 metres. No significant assay result was obtained in this hole. No significant assay result was obtained.

**JOU-15-05** (Target J) was completed at a final depth of 195.0 metres. After 38.0 metres of overburden, the hole intersected a graywackes-mudstone sequence with local graphite beds down to 146.8 metres. Locally, 3-5% Py was intersected over 1.0 metre. No significant assay result was obtained.

**JOU-15-06** (Target I) was completed at a depth of 174.0 metres. This hole intersected several units of hematite-jasper iron formations with local magnetite and a low sulphide content. Some strongly portions with a strong sericite alteration were intersected. No significant assay result was obtained

**JOU-15-07** (Target H) was completed at a final depth of 186.0 metres. After 12.3 metres of casing, the hole intersected a mix of mudstones-graywackes and banded hematite iron formations containing some jasper and magnetite. The mudstones show locally quartz-carbonate veins stockwork with traces of pyrite. No significant assay result was obtained.

**JOU-15-08** (Target G) was designed to test a VTEM conductor which has been explained by the presence of a pyritic mudstone over 3 metres. The hole ended at 147.0 metres. Assay results returned 0.22 g/t Au over 1.50 metre from 136.2 to 137.7 metres.

An induced polarization survey totalling 35 kilometres was completed during Q4-15. This survey was completed along a formationnal conductor at the contact of the Taibi Group sediments and the volcanics of the Cartwright Group. Several anomalies were identified and a drilling program (3 holes; 850 m) is in preparation for Fiscal 16.

#### **4.6 Heva (Au), operated by Midland**

##### *Property Description*

The Heva West block consists of 4 contiguous claims adjacent to the west of the Maritime-Cadillac property, currently a 50% Midland / 50% Agnico Eagle. The Heva East block is located about 4 kilometres to the southeast and consists of 28 contiguous claims largely covering sedimentary rocks of the Cadillac Group just north of the Piché Group.

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**4. INVESTING ACTIVITIES (CONT'D)**

*Exploration work on the property*

During Q4-15, the exploration campaign consisted of one week prospecting on the west part of the Heva East block and also of channel sampling on two trenches that had previously been made in 2010. Following these recent works, the best gold results returned values of 18.0 g / t Au and 5.1 g / t Au from sampling of an old trench dynamited and dating back more than twenty years which was found during reconnaissance work and a value of 5.6 g / t Au obtained in sampling mineralized ore masses found near the old Dempsey-Cadillac showing from the 1930's.

In addition, some new gold showings were discovered during prospecting, including a conglomerate outcrop which returned 1.9 g / t Au and a mineralized angular boulder that returned a value of 1.1 g / t Au. Several channels sampling was made on the 2010 trenches and returned anomalous gold values, including intervals of 0.57 g/t Au over 1.30 metres (trench 2010-05) and 0.18 g/t Au over 1,00 metre, 0.17 g/t Au over 0.70 metre and 0.12 g/t Au over 0.60 metre (trench 2010-01).

Midland is currently seeking a partner for this project.

**4.7 Valmond (Au), operated by Midland**

*Property Description*

The Corporation acquired claims by map staking about 50 kilometres to the west of Matagami. As at September 30, 2015, this property consists in 111 claims covering an area of approximately 6,179 hectares.

On November 19, 2013, the Corporation signed an agreement with Sphinx Resources Ltd. ("Sphinx") whereby Sphinx could have acquired 50% of the Valmond property subject to \$250,000 payments in cash (\$30,000 completed) and \$2,500,000 exploration work (\$670,350 completed). In August 2015, Sphinx terminated the agreement on the Valmont property.

*Exploration work on the property*

In December, Midland completed a 225 metres drill hole to test an induced polarization anomaly consisting of a chargeability high with no related drop in resistivity. This target is located in a structurally complex area marked by the intersection of several NW-SE and NE-SW-trending structures. No significant result was obtained.

**4.8 Samson Ni-Cu-PGE in partnership with Sphinx and operated by Midland**

*Property Description*

As at September 30, 2015, the Samson property consists of 551 claims covering a surface area of about 30,592 hectares about 50 kilometres west of the town of Matagami, in Abitibi, Quebec.

On September 3, 2014, the Corporation signed an agreement with Sphinx whereby Sphinx can acquire 50% of the Samson property subject to the following conditions:

	Payments in cash	Work
	\$	\$
Upon signing (completed)	40,000	-
On or before September 3, 2015 (\$350,000 firm commitment) <sup>1)</sup>	40,000	500,000
On or before September 3, 2016	50,000	700,000
On or before September 3, 2017	70,000	900,000
On or before September 3, 2018	75,000	1,400,000
<b>Total</b>	<b>275,000</b>	<b>3,500,000</b>

1) Terms of the September 3, 2015 cash payment are under discussion. The work commitment is completed.

#### 4. INVESTING ACTIVITIES (CONT'D)

- The Corporation will be the operator during the option;
- Upon acquiring a 50% interest, a joint venture will be formed;
- If a party's interest dilutes to 10% or less, its interest will be converted to a 2% NSR royalty, 1% of which can be purchased back for \$1,500,000.

##### *Exploration work on the property*

During December 2014, a major ground-based geophysical program totalling about 60 kilometres and including magnetic and ground electromagnetic surveys was completed in an effort to characterize a series of untested MegaTEM conductors coinciding with strong magnetic responses. About a dozen high-priority MegaTEM targets were selected for this ground follow-up, due to their association with strongly magnetic units interpreted as ultramafic rocks. Following the TDEM-ARMIT survey conducted over the best MegaTEM conductors, six conductors were selected for drilling.

During Q2-15, six (6) diamond drill holes totalling 1,625.5 metres were completed on Samson to test the selected TDEM-ARMIT conductors.

**SAM-15-01** (Target 14-01) ended at a final depth of 252.0 metres within a pyroxenite unit. After 56.0 metres of casing, a contact between a gabbro/diorite a pyroxenite was intersected at 212.0 metres. However, there was no clear evidence a conductor except maybe a fault zone at about 154.0 metres. The BHEM survey did not detect any anomaly. One sample returned 101 ppb Au and 263 ppb Pd over 1.0 metre from 240.0 to 241.0 metres. The ultramafics showed background values between 300 to 500 ppm Ni.

**SAM-15-02** (Target 14-01a2) was completed at a depth of 225.0 metres. The hole intersected a gabbroic intrusion down to 225.0 metres after 49.5 metres of casing. No clear explanation for the conductor, possible overburden anomaly. The BHEM survey did not detect any anomaly. This hole returned elevated background values between 100 and 500 ppm Cu.

**SAM-15-03** (Target 14-01b3) was also completed at a depth of 225.0 metres. A granitic intrusion with several fault zones was intersected. These fault zones could possibly explain the conductor. The BHEM survey did not detect any anomaly. No significant result was obtained.

**SAM-15-04** (Target 14-01c4) has been completed to a final depth of 250.5 metres after having traversed 126.0 metres of overburden. A major fault zone was intersected between 143.0 and 145.0 metres. Between 147.0 and 153.0 metres, a mineralized zone consisting of mineralized quartz veins with some tourmaline and 1-2% pyrite was intersected. The BHEM did not detect any anomaly. No significant result was obtained.

**SAM-15-05** (Target 14-04a) ended at a final depth of 177.0 metres. This hole intersected graphitic mudstones between 144.0 and 151.0 metres. Also, a horizon of cherty sediment containing some minor pyrite was intersected from 119.0 to 122.0 metres and again from 126.0 to 128.0 metres. The BHEM did not detect any anomaly. A six (6) metres gold anomalous interval between 145.0 and 151.0 m returned 0.12 g/t Au over 1.0 m (146.0 to 147.0 m) and 0.20 g/t Au over 1.0 m from 150.0 to 151.0 metres.

**SAM-15-06** (Target 14-04) was completed at a final depth of 381.0 metres within an intermediate dyke. From 324.0 to 377.0 metres, an ultramafic unit locally altered with talc was intersected. Traces of sulphides (Py-Po) were noted throughout the unit. The southern contact of this unit has not been reached. The BHEM survey (Z component) identified a weak off-hole anomaly at the end of the hole. The X and Y probes were also surveyed but the response is very weak and insufficient to be able to locate the anomaly. Two assay results returned anomalous values of 0.13 g/t Au over 1.0 m from 330.0 to 331.0 metres and 0.26 g/t Au over 1.0 m from 339.0 to 340.0 metres near the northern contact of the ultramafic rocks.

#### **4. INVESTING ACTIVITIES (CONT'D)**

No exploration work conducted during Q4-15. Midland and Sphinx has agreed on the next exploration program which would consist in three IP surveys followed-up by a drilling program to test the new IP anomalies near the best historical gold showings found on the property. This program is conditional to the financing by Sphinx.

##### **4.9 La Peltrie (Au), operated by Midland**

###### *Property Description*

As at September 2015, the La Peltrie property comprises 387 claims covering a surface area of about 21,336 hectares and encompasses possible subsidiary faults to the south of the regional Lower Detour Fault over a distance of more than 10 kilometres.

###### *Exploration work on the property*

Line cutting and ground geophysics IP of over 100 kilometres started during Q4-15 and are still in progress. The results will be received for Fiscal 16 in preparation for a drilling program during the winter of 2016.

Midland is currently seeking for a partner for this project.

##### **4.10 Adam (Cu-Au), in partnership with Sphinx and operated by Midland**

###### *Property Description*

The Adam property was acquired by map designation and is a property with strong gold and copper potential located about 15 kilometres east of the B26 zone held by SOQUEM and about 20 kilometres east of the former Selbaie mine, which historically produced 56.5 Mt grading 1.9% Zn, 0.9% Cu, 38.0 g/t Ag and 0.6 g/t Au.

The Adam property is wholly owned by Midland and is located about 65 kilometres west of the town of Matagami. As at September 30, 2015, it consists of 194 cells covering a surface area of about 100,793 hectares in the Abitibi region of Quebec. The B26 and East Zone gold-copper deposits, held and worked actively by SOQUEM, respectively host historical resources on the order of 600,000 metric tonnes grading 2.9 g/t Au and 2.8% Cu and 750,000 metric tonnes grading 2.0% Cu and 0.4 g/t Au (Source: SOQUEM website; historical resources non-compliant with NI 43-101). In addition, drill holes completed in 2012 by Excellon Resources Inc. ("Excellon") on the Beschefer property (B-14 zone) located less than 7 kilometres west of the Adam property, intersected high-grade gold intervals reaching 13.07 g/t Au over 8.75 metres, including 58.5 g/t Au over 1.50 metre (Source: press release by Excellon dated April 17, 2012).

This new acquisition with strong gold and copper potential covers, over more than 8 kilometres, the regional contact between tholeiitic volcanic rocks of the Enjalran Group and calc-alkaline volcanic rocks of the Brouillan Group as well as an assemblage of felsic volcanoclastic rocks. The B26 zone is hosted in felsic to mafic volcanoclastic rocks with iron carbonate, chlorite, sericite, and silica alteration. In the south part of the Adam property lies another favourable contact, between volcanic rocks of the Enjalran Group and wackes, mudrocks, and iron formations of the Taibi sedimentary Group. A gold showing is located less than 5 kilometres west of the Adam property, where a historical drill hole yielded grades reaching 19.9 g/t Au over 0.77 metre (Source: SIGEOM map sheet 32E10, GM56241).

On the Adam property, historical INPUT electromagnetic surveys identified several conductors that have never been drill-tested, located near the felsic volcanic units identified near the favourable regional contact between the Enjalran and Brouillan groups.

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**4. INVESTING ACTIVITIES (CONT'D)**

On December 12, 2014, the Corporation signed an agreement with Sphinx whereby Sphinx can acquire 50% of the Adam property subject to the following conditions:

	<b>Payments in cash</b>	<b>Work</b>
	\$	\$
Upon signing (completed)	20,000	-
On or before December 12, 2015	40,000	400,000
On or before December 12, 2016	50,000	400,000
On or before December 12, 2017	70,000	1,000,000
On or before December 12, 2018	70,000	1,200,000
<b>Total</b>	<b>250,000</b>	<b>3,000,000</b>

The Corporation is the operator during the option.

*Exploration work on the property*

A helicopter-borne VTEM electromagnetic survey totalling about 800 line-kilometres was completed in December 2014 to cover the entire property. Several new conductors have been identified near the favorable contact between the Enjalran and Brouillan Groups.

**4.11 Abitibi Gold (Au) operated by Midland**

*Property Description and exploration work on the property*

The Corporation acquired by map designation 178 claims covering a surface area of about 9,553 hectares.

*Exploration work on the property*

Compilation of historical data is in progress for the Abitibi Gold project. A VTEM survey totalling approximately 225 line-kilometres was completed during Q1-15 on the Jeremie block. The final interpretation highlighted several new conductors associated with strong magnetic anomalies.

For the Jeremie property, a few geophysics grids are being planned for Fiscal 16.

**GRENVILLE-APPALACHES**

**4.12 Weedon (Cu-Zn-Au) operated by Midland**

*Property Description*

This property is located in the Eastern Townships, about 120 km south of Quebec City and as at September 30, 2015 is comprised of 132 claims covering an approximate area of 7,121 hectares. Some claims are subject to NSR royalties of:

- 1%, the Corporation can buy it back the royalty for \$500,000 per 0.5% tranche for a total of \$1,000,000;
- 0.5%, the Corporation can buy it back this royalty for \$500,000;
- 1.5% on all metals except gold and silver, the Corporation can buy it back for \$500,000 per 0.5% tranche for a total of \$1,500,000.

Some claims were dropped therefore the Corporation impaired partially for \$13,100 (\$9,200 in Fiscal 2014) the exploration property cost.

#### **4. INVESTING ACTIVITIES (CONT'D)**

*Exploration work on the property*

A ground TDEM survey was completed during Q1-15 on Weedon in areas where previous gravimetric and IP surveys had identified interesting anomalies and several conductors have been detected.

Midland is currently seeking a partner for this project.

##### **4.13 Gatineau Zinc (Zn), operated by Midland**

*Property Description*

Midland owns a 100% interest in a large land position for zinc, including as at September 30, 2015 92 claims covering 5,247 hectares distributed in the Gatineau Area, approximately 200 kilometres northwest of the city of Montreal. The Corporation owns claims located in the Gatineau region. Some claims were dropped therefore the Corporation impaired partially for \$9,344 (\$2,693 in Fiscal 14).

*Exploration work on the property*

No work conducted during Fiscal 2015 on the property. Midland is currently seeking a partner for this project.

##### **4.14 Vermillon (Cu-Au), in partnership with SOQUEM and operated by SOQUEM**

*Property Description*

The Vermillon property is located some 90 km southwest of the town of La Tuque, Quebec and consists as at September 30, 2015 of 16 contiguous claims covering a total surface area of 934 hectares in joint venture 52.5% SOQUEM/ 47.5% Midland

*Exploration work on the property*

During Q4-15, a prospecting and a soil geochem survey was completed and the final results are pending.

#### **JAMES BAY**

##### **4.15 James Bay Gold (Au), operated by Midland**

*Property Description*

Midland owns a 100% interest on 323 claims as at September 30, 2015 covering 16,693 hectares in the James Bay Area, an area that has the potential to soon become a significant new gold producer in Quebec after the Abitibi Belt. Some claims were dropped therefore the Corporation impaired partially for \$66,293 the exploration property cost (\$8,686 in Fiscal 14).

*Exploration work on the property*

A prospecting program was completed during Fiscal 15 on the James Bay Gold project. The final assay results are pending.

##### **4.16 Éléonore Gold Properties (Au) operated by Midland**

*Property Description*

The Éléonore new property is divided in three distinct blocks with two of them within 25 kilometres from the Éléonore gold discovery of Goldcorp and one southeast 30 km further along strike. It encompasses a group of 289 claims covering an area of approximately 15,139 hectares as at September 30, 2015.

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**4. INVESTING ACTIVITIES (CONT'D)**

*Exploration work on the property*

A 31.5 kilometres ground geophysical IP and magnetic ("Mag") survey was completed in the eastern part of the Éléonore Centre property. This survey completes and extends the 2013 survey where several gold showings were uncovered by Midland (Golden Gun and Golden Gun South showings). The final data of the survey is pending. The 31.5 kilometres IP-Mag survey focussed on identifying sulphide rich targets for further follow-up during the summer exploration program.

During Q4-15, trenching works and prospecting were completed over the IP anomalies identified in the northern portion of the property. The final results are pending.

**4.17 James Bay Uranium (U) operated by Midland**

*Property Description*

The property is located in the James Bay region and is composed of 8 claims as at September 30, 2015. The Company wrote off the property in September 2015 for \$24,577 since no exploration program had been planned for the near future.

**4.18 Bay James Iron (Fe) operated by Midland**

*Property Description*

As at September 30, 2015, the Montagne-du-pin property consist in a total of 71 wholly owned claims covering 3,621 hectares and are located along the Trans-Taiga road, James Bay. The Company wrote off the property in September 2015 for \$97,822 since no exploration program had been planned for the near future (a partial impairment of \$73,717 was recorded in Fiscal 14).

**NORTHERN QUEBEC**

**4.19 Pallas (PGE), in partnership with JOGMEC and operated by Midland**

*Property Description*

As at September 30, 2015, the property totals 560 claims covering approximately 25,482 hectares in the Labrador Trough («Trough») some 80 kilometres west of Kuujjuak, Québec.

On January 21, 2014, the Corporation signed an option agreement with Japan Oil, Gas and Metals National Corporation (« JOGMEC ») whereby JOGMEC has the option to acquire 50% interest in the Pallas project prior to March 31, 2016 by funding \$2,000,000 in expenditures spread as following:

	<b>Work</b>
	\$
On or before March 31, 2014 (completed)	250,000
On or before March 31, 2015 (completed)	700,000
On or before March 31, 2016 (completed)	1,050,000
<b>Total</b>	<b>2,000,000</b>

Midland will be operator as long as it will hold an interest equal to or higher than 50% in the project.

In September 2015, JOGMEC has funded \$2,000,000 of exploration work and now has the right to exercise its option to acquire a 50% interest in the Pallas PGE property.



#### **4. INVESTING ACTIVITIES (CONT'D)**

##### *Exploration work on the property*

Acquiring a large land package in the Labrador Trough for the Platinum Group Elements plus gold (PGE + Au) followed an exhaustive compilation of all the old PGE + Au showings found between 1986 and 2000 by various exploration companies. Once officially recorded, our mining titles were covering already tenth of occurrences with more than 1.0 g/t PGE + Au. Late in 2013, Midland's exploration team added another tenth occurrence with about the same PGE + Au grade. All mineralization are concentrated in differentiated mafic sills comprising mineralized gabbroic horizons alike reefs.

Following the option agreement signature with JOGMEC, a detail airborne magnetic survey has been completed. A total of 3,201 line-kilometers has been completed on Juno-Ceres, Itokawa, Gaspar and Palladin grids respectively. In the meantime, Midland has acquired four high-resolution colored satellite images (50 centimetres per pixel) covering the same areas.

In about thirty days during summer 2014, an exploration program including prospecting and channel sampling was completed to further evaluate the best PGE + Au known of Ceres, Gaspar, Itokawa and Palladin. This work led to the discovery of several new showings from which some were followed up by channel sampling and drilling.

During Q4-15, a reconnaissance sampling program led to the discovery of new significant PGE showings with one that returned grade up to 31.0 g/t PGE + Au. With the objective to find more PGE + Au showings, the 2015 summer exploration program, was very prolific with the discovery of 42 new PGE + Au showings returning more than 1 g/t PGE + Au including 18 with more than 2 g/t Au from 426 selected grab samples collected on the Ceres, Itokawa and Gaspar claim blocks. The program was also successful to extend and to identify new PGE + Au bearing corridors.

On the Ceres claim block, three new mineralized corridors (reefs) were discovered and 3 known corridors were extended laterally. Near the Ceres Showing (2.9 g/t PGE + Au), a new occurrence 350 metres away was discovered and a grab sample returned 5.2 g/t PGE + Au extending the corridor to the south. The Ceres mineralized corridor can now be traced over 2100m. Four hundred meters southwest of the Ceres showing, a new mineralized trend has been discovered with select grab samples returning 1.2, 1.0 and 1.0 g/t PGE + Au respectively. Some 1700m south of the Ceres Showing, a new high grade NNW trending mineralized corridor has been discovered with significant PGE values returning 31.0 and 7.5 g/t PGE + Au respectively, both sample 215 metres apart. Historical and combined recent samplings define a discontinuous new corridor traceable over near 7 kilometres.

Farther north along strike NNW with the Ceres PGE rich-corridor, 4 selected grab samples collected around the Cynthia Showing found in 2014 (4.3 g/t PGE + Au) confirmed the presence of PGE and returned 3.0, 1.3, 1.1 and 1.1 g/t PGE + Au respectively. About 1600 metres NNW from the Cynthia showing, a 3 kilometres long new mineralized corridor named Big Papi Reef was discovered with more than 25 selected grab sample returning more than 0.5 g/t PGE + Au and with 14 with more than 1 g/t, 5 with more than 2 g/t up to 3.1 g/t PGE + Au. On the western portion of the Ceres claim block along the Enish corridor, five new showings returning 2.3, 2.2, 1.8, 1.7 and 0.8 g/t PGE + Au were found respectively at 1700, 2200, 2300, 3500 and 5200 metres north of the Enish Showing (7.1 g/t PGE + Au). This mineralized trend alone can be traced over more than 5 km. Closer from the Enish Showing a new grab sample 230m along strike north returned 2.2 g/t PGE + Au. None of these new occurrences has been channel sampled or drill tested before.

On the Gaspar claim block, 3 known corridors were extended laterally and one new mineralized corridor (reef) was discovered. Prospecting around the Herculina Showing (up to 1.1 g/t PGE + Au) found in 2014, three new selected grab samples returned 1.1, 1.1 and 1.2 g/t PGE + Au.

#### **4. INVESTING ACTIVITIES (CONT'D)**

One kilometre north, selected grab samples returned 3.3, 2.5, 1.1 and 0.9 g/t PGE + Au extending the reef another 600 metres farther NNW for a total of 1800 metres. Prospecting also around the Olympus showing (0.9, 0.8, 0.6 and 0.6 PGE + Au) found in 2014, new selected grab samples returned 2.9, 1.1 and 0.9 g/t PGE + Au extending the mineralized corridor at 1000 metres. A new single showing located between the Herculina and the Olympus mineralized corridor returned 2.0 g/t PGE + Au. This occurrence could potentially define a new PGE bearing corridor.

On the Itokawa claim block, one new mineralized corridor (reef) was discovered and one known corridor was extended laterally. Located in the central south portion of the Itokawa claim block, two selected grab samples, 30 metres apart, on a new mineralized zone returned 6.2 and 0.9 g/t PGE + Au respectively. Located along the same magnetic NNW trend, another discovery showing returned 1.0, 0.7 and 0.4 g/t PGE + Au forming a 1800 metres long new corridor open in both directions. While prospecting along strike with the Itokawa Showing (1.3 g/t over 2.8 metres incl. 4.1 g/t over 0.3 metre) and guided by airborne magnetic data, a new showing was found returning 1.5 g/t PGE + Au 500m NNW. Another cluster of selected grab samples, 3000 metres along strike, returned 0.7, 0.6 and 0.5 among other anomalous PGE + Au values. None of these new occurrences has been channel sampled or drill tested before.

From a subsequent exploration phase, Midland has channel sampled 17 of these new occurrences with 724 half-metre long channel. The assay results are pending.

#### **4.20 Willbob (Au), operated by Midland**

##### *Property Description*

The Willbob property in the Labrador Trough consists of 215 claims covering about 9 513 hectares, and is located approximately 66 kilometres west-southwest of Kuujuaq (Québec), near and in a geological environment similar to Midland's Pallas Project which is currently being worked in partnership with JOGMEC.

##### *Exploration work on the property*

The Willbob property covers a series of gabbro sills, where numerous gold showings were historically discovered, over more than 8 kilometres. Exploration work conducted by the Nunavik Mineral Exploration Fund ("NMEF") from 2004 to 2006 reported several gold showings that returned up to 31.3 g/t Au on selected grab samples. Visible gold was reported at the Kuni Showing which returned 19.8 g/t Au. Another sample returned 9.5 g/t Au at about 120 metres to the north-west of the Kuni Showing. The Lafrance Showing, located about 6.5 kilometers north of the Kuni Showing, returned up to 21.9 g/t Au on selected grab samples and gold values are traced over 130 metres surface length. Historical channel sampling on the Lafrance Showing returned 3.0 g/t Au over 2.90 metres and 2.6 g/t Au over 3.90 metres in a second channel located about 40 metres north. About 3.5 kilometres from and along the Lafrance mineralized zone trend, the NMEF reported the Polar Bear Showing with values up to 6.4 g/t Au. There, the NMEF reports a gold anomalous corridor that can be traced over 330 metres in the area. (Source: Nunavik Mineral Exploration Fund 2006 Activity Report).

Midland 2014 grab resampling along the Lafrance auriferous corridor returned up to 5.4 g/t Au and more sample assays are pending. Several gold showings on the Willbob property are associated to a felsic unit intruding the gabbro sills.

During Q4-15, a reconnaissance sampling program has been completed on the gold Willbob Project with 10 and 47 grab samples collected in the Lafrance and Kuni Showing areas; the latest being 6 kilometers south of the Lafrance Showing. The best assay result returned up to 77.6 g/t Au. This new auriferous occurrence is well located within a high grade gold corridor and along strike with several other showings which include Showing 31 (up to 31.0 g/t Au), Kuni (up to 19.8 g/t Au), Lafrance (up to 21.9 g/t Au), East Dupuis (up to 15.0 g/t Au) and Polar Bear (up to 6.4 g/t Au).

#### **4. INVESTING ACTIVITIES (CONT'D)**

Midland's 2015 field program led to the discovery of 2 new showings with one returning 1.25 g/t Au located 500 metres south of the Kuni Showing and closer the second one, a new polymetallic showing returned 1.2 g/t Au, 132 g/t Ag, 8.5% Pb and 7.1% Zn. None of the new showings have been channel sampled or drilled tested before.

The 2015 summer also included a systematic sampling program over the Willbob Showing (Lafrance) with the attempt to better map the quartz-iron carbonate alteration halo that wraps its gold system. The sampling covers a 350 meters by 500 meters area centered on the Willbob Showing. A review of the geochemical data defined a 350 meters long by 50 meters wide gold, copper, lead, zinc and sulfur anomalous area. While sampling the gold enrich zone, using a 50 metres grid separation, three half a meter long channel samples returned 4.7, 3.5 and 3.0 g/t Au, and while prospecting, 4 selected grab samples within that same zone returned 9.3, 2.7, 2.4 and 1.1 g/t Au. All these showings remains open in all directions and were never drill tested.

Following these encouraging results, Midland has increased its land position adding 135 new claims to the Willbob property.

From a second phase of reconnaissance, a new auriferous corridor, named Golden Tooth Showing, was found 2.0 kilometers south-west of the Kuni Showing. Assay results from thirty samples collected along a new altered sheared zone confirm presence of gold with ten values greater than 3.0 g/t Au reaching up to 25.2 g/t Au. The NNW-SSE sheared zone, traceable over at least 300 meters long by 25 meters wide, is marked by quartz-albite injections traversed by multiple massive and millimetric arsenopyrite veinlets into a silicified, ankeritized and hematized felsic intrusion with disseminated arsenopyrite and pyrite in its walls.

Selected of these new occurrences were channel sampled and the assays results are pending.

#### **QUEBEC / LABRADOR**

##### **4.21 Ytterby (REE), in partnership with JOGMEC and operated by Midland**

###### *Property Description*

As at September 30, 2015, the Ytterby Project comprises 261 claims in Labrador and 151 claims in Québec, located between 200 and 230 kilometres east and northeast of Schefferville.

The claims on the main bloc were kept and the ones on the other blocs were dropped, therefore the Corporation impaired partially the project for \$1,230,273 in Fiscal 14.

On February 23, 2010, the Corporation signed a memorandum of agreement (and on July 29, 2011 a definitive agreement) with JOGMEC whereby JOGMEC acquired a right to acquire a 50% interest in the Ytterby property by funding \$2,700,000 exploration work. As of September 30, 2015, JOGMEC has not yet given its notice of exercise of option. In spring 2015, JOGMEC indicated that it would not participate in the summer 2015 exploration program and its interest has now been diluted to 49.5%.

###### *Exploration work on the property*

Discussions with JOGMEC to plan the next exploration campaign are underway with the objective to further evaluate the economic potential to extract the mineralized boulders from the Strange Lake glacial dispersal train.

Durant Q4-15 Midland has completed a rock sampling program over the Strange Lake dispersal train. A total of 70 grab samples were collected. Assay results confirm presence of rare earth elements oxides from the selected samples with an average of 0.63% TREO + Y2O3 from which 38% are heavy rare earths oxides.

**Midland Exploration Inc.**  
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For the year ended September 30, 2015

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**4. INVESTING ACTIVITIES (CONT'D)**

**PROJECTS GENERATION**

Midland continued some geological compilation programs in Quebec for the acquisition of new strategic gold, uranium and base metal properties.

**Other Activities**

Midland is pro-active in the acquisition of new mineral exploration properties in Quebec. Management is constantly reviewing other opportunities and other projects to improve the portfolio of the Corporation. Acquisition opportunities outside of Quebec will also be considered. Midland prefers to work in partnership and fully intends to secure new partnerships for its properties and its 100% owned properties.

**5. FINANCING ACTIVITIES**

The Corporation finances itself mainly through share issuance.

In December 2014, the Corporation completed private placements by issuing 1,263,288 units at \$0.70 per unit for total gross proceeds of \$884,302. Each unit is comprised of one common share and one-half of a warrant. Each whole warrant will entitle the holder to purchase one additional common share at \$0.95 until December 2016. In addition, the Corporation completed private placements by issuing 1,096,683 flow-through shares at \$0.85 per share, for total gross proceeds of \$906,680.

In May 2015, the Corporation completed a private placement of 20,622,569 units at a price of \$0.70 per unit for total gross proceeds of \$14,435,798. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of \$1.15 until May 3, 2018. In connection with that private placement, the Corporation paid finder's fees of \$457,980 and issued compensation warrants entitling the finders to acquire 555,000 common shares of Midland at a price of \$0.70 per share until May 3, 2017.

Subsequent to September 30, 2015, the Corporation completed a private placement of 835,365 flow-through shares at \$0.85 per share, for total gross proceeds of \$710,610.

**6. WORKING CAPITAL**

Midland has a working capital of \$9,999,139 as of September 30, 2015 (\$3,137,673 as of September 30, 2014) as well as \$6,496,000 of investments in guaranteed investment certificates with expiry dates over 1 year.

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	<b>Annualized</b>
<b>Cash flow required</b>	<b>\$</b>
Operating expenses, excluding non-cash items	1,141,000
Project management fees and interest income	(323,000)
Exploration budget paid by Midland (covering the exploration work requirements following the November 2015 flow-through private placement of \$710,060)	1,925,000
Mining credits	(65,000)
Staking and property maintenance	75,000
<b>Total</b>	<b>2,753,000</b>

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**Midland Exploration Inc.**  
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**6. WORKING CAPITAL (CONT'D)**

Management is of the opinion that it will be able to maintain the status of its current exploration obligations and to keep its properties in good standing. Advanced exploration of some of the mineral properties would require substantially more financial resources. In the past, the Corporation has been able to rely on its ability to raise financing in privately negotiated equity offerings. There is no assurance that such financing will be available when required, or under terms that are favourable to the Corporation. The Corporation may also elect to advance the exploration and development of mineral properties through joint-venture participation.

**7. SUMMARY OF RESULTS PER QUARTERS**

For the eight most recent quarters:

	<b>Q4-15</b>	<b>Q3-15</b>	<b>Q2-15</b>	<b>Q1-15</b>
	\$	\$	\$	\$
Revenues	62,401	42,672	98,516	97,863
Net loss	(184,764)	(155,960)	(185,672)	(102,702)
Loss per share	(0.01)	-	(0.01)	-
Total assets	24,407,655	25,078,324	11,044,082	11,187,994
	<b>Q4-14</b>	<b>Q3-14</b>	<b>Q2-14</b>	<b>Q1-14</b>
	\$	\$	\$	\$
Revenues	74,204	27,059	35,856	35,464
Net loss	(1,397,949)	(141,146)	(248,268)	(187,223)
Loss per share	(0.05)	-	(0.01)	(0.01)
Total assets	9,892,800	10,741,442	10,888,313	10,869,758

**8. FOURTH QUARTER**

The Corporation reported a loss of \$184,764 for Q4-15 compared to a loss of \$1,397,949 for Q4-14.

The Corporation earned project management fees of \$62,401 in Q4-15 (\$67,056 in Q4-14). In Q4-15, the most active projects with partners were Pallas (Jogmec) and Casault (SOQUEM). In Q4-14, the most active project with partners was Pallas.

Total expenses decreased to \$432,550 in Q4-15 compared to \$1,555,803 in Q4-14:

- Following the May 2015 financing, the Corporation will aim to increase its visibility. For the first time, Midland was present at the Denver conference and a part-time employee was hired to support this objective.
- The stock-based compensation expense decreased to \$19,955 (\$37,297 in Q4-14) for the same reason explained in section 3.
- During Q4-15, some claims were dropped and the following properties were partially impaired: BJ Au for \$22,146, Laflamme for \$7,981 and Gatineau for \$6,728. On the other hand, the following properties were written off since no exploration program is planned in the near future: BJ Fe for \$66,412, BJ U for \$24,577. During Q4-14, one important impairment was recognized since most of the claims on the Quebec side of the Ytterby project were dropped and therefore the Corporation impaired partially that property for \$1,230,273.

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**8. FOURTH QUARTER (CONT'D)**

Interest income increased to \$58,948 (\$13,985 in Q4-14) due to the guaranteed investments certificates purchased following the \$14,435,798 financing completed in May 2015.

The Corporation incurred \$1,461,481 (\$945,234 in Q4-14) in exploration expenses of which \$856,730 (\$661,776 in Q4-14) was recharged to the partners. The exploration expenses incurred in Q4-15 were mostly executed on Casault, Jouvex and Pallas whereas in Q4-14 the exploration work was mostly done on the James Bay Eleonore. The Corporation acquired properties for \$126,573 net mostly on Pallas, La Peltrie and Willbob (\$50,566 in Q4-14 for Samson, La Peltrie and Jouvex).

**9. RELATED PARTY TRANSACTIONS**

The following are the related party transactions that occurred in Fiscal 15:

*In the normal course of operations:*

- A firm in which René Branchaud (director and corporate secretary) is a partner charged legal fees amounting to \$125,932 (\$49,624 in Fiscal 14);
- A company controlled by Ingrid Martin (chief financial officer) charged accounting fees totaling \$137,918 (\$106,225 in Fiscal 14) of which \$57,660 (\$48,368 in Fiscal 14) relates to her staff;
- As at September 30, 2015, the balance due to the related parties amounted to \$21,563 (\$7,394 in September 30, 2014).

*Out of the normal course of operations:*

- Directors and officers of the Corporation participated in the flow-through private placement of December 2014 for \$79,050 and in the units private placement of May 2015 for \$15,400 (\$103,600 in the private placement closed in December 2013).

**10. SUBSEQUENT EVENTS**

See section 5 on financing activities.

**11. OUTSTANDING SHARE DATA**

	<b>As at December 10, 2015</b>	<b>As at September 30, 2015</b>
	<b>Number</b>	<b>Number</b>
Common shares	54,094,417	53,259,052
Options	21,809,213	21,809,213
Warrants	2,020,000	2,020,000
	<b>77,923,630</b>	<b>77,088,265</b>

**12. STOCK OPTION PLAN**

The purpose of the stock option plan is to serve as an incentive for the directors, officers and service providers who will be motivated by the Corporation's success as well as to promote ownership of common shares of the Corporation by these people. There is no performance indicator relating to profitability or risk attached to the plan.

## **12. STOCK OPTION PLAN (CONT'D)**

The number of common shares granted is determined by the Board of Directors. The number of common shares reserved for issuance under the Corporation's fixed number stock option plan is 4,000,000. The exercise price of any option granted under the plan shall be fixed by the Board of Directors at the time of grant and shall not be lower than the closing price on the day preceding the grant. The term of the option will not exceed ten years from the date of grant. The options normally vest 1/6 per 3 months from the grant date, or otherwise as determined by the Board of Directors.

## **13. OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation does not have any off-balance sheet arrangements.

## **14. COMMITMENT**

In September 2012, an amendment was signed to extend the lease for office space for five years, from March 2013 to February 2018. The rent was \$21,875 for the first year and thereafter will be indexed annually at the highest of the increase of the consumer price index or 2.5%.

## **15. CRITICAL ACCOUNTING ESTIMATES**

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results could differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

### **JUGMENTS**

#### **15.1 Impairment of exploration and evaluation ("E&E") assets**

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of E&E assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further E&E of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires considerable management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances.

## **15. CRITICAL ACCOUNTING ESTIMATES (CONT'D)**

These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Corporation's assets and earnings may occur during the next period.

The total impairment loss of the E&E assets is \$225,826 for Fiscal 15 (\$1,288,721 for Fiscal 14). No reversal of impairment losses has been recognized for the reporting periods.

### **15.2 Deferred taxes**

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. Judgment is also involved in the determination of the expected manner of realisation or settlement of the carrying amount of the Corporation's assets and liabilities which is expected to be through the sale of the Corporation's assets.

*Valuation of credit on duties refundable for loss and the refundable tax credit for resources.*

Refundable credit on mining duties and refundable tax credit related to resources for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including credit on mining duties and tax credit related to resources for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection. The calculation of the Corporation's credit on mining duties and tax credit related to resources necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until notice of assessments and payments have been received from the relevant taxation authority. Differences arising between the actual results following final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to credit on mining duties and tax credit related to resources, exploration and evaluation assets and expenses, and income tax expense in future periods.

The amounts recognized in the financial statements are derived from the Corporation's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Corporation's financial position and its financial performance and cash flows.

## **16. FINANCIAL INSTRUMENTS**

For a description of the financial instruments and the risk associated, please refer to notes 2.5 and 14 of the September 30, 2015 financial statements.

## **17. RISK FACTORS**

The following discussions review a number of important risks which management believes could impact the Corporation's business. There are other risks, not identified below, which currently, or may in the future exist in the Corporation's operating environment.



## **17. RISK FACTORS (CONT'D)**

### **17.1 Exploration and Mining Risks**

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

Currently, there are no known bodies of commercial ore on the mineral properties of which the Corporation intends to acquire an interest and the proposed exploration program is an exploratory search for ore. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labor are other risks involved in the conduct of exploration programs. The Corporation, from time to time, increases its internal exploration and operating expertise with due advice from consultants and others as required.

The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Corporation's mineral properties.

### **17.2 Titles to Property**

While the Corporation has diligently investigated title to the various properties in which it has interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

### **17.3 Permits and Licenses**

The Corporation's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

### **17.4 Metal Prices**

Even if the Corporation's exploration programs are successful, factors beyond the control of the Corporation may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Corporation's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

### **17.5 Competition**

The mining industry is intensely competitive in all its phases. The Corporation competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

### **17.6 Environmental Regulations**

The Corporation's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution.

## **17. RISK FACTORS (CONT'D)**

A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner, which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Corporation intends to fully comply with all environmental regulations.

### **17.7 Conflicts of Interest**

Certain directors and officers of the Corporation are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors or officers of the Corporation are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interest, which they may have in any project or opportunity of the Corporation. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Corporation will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Corporation may be exposed and its financial position at that time.

### **17.8 Stage of Exploration**

The Corporation's properties are in the exploration stage and to date none of them have a proven ore body. The Corporation does not have a history of earnings or return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

### **17.9 Industry Conditions**

Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax and mining duty increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Corporation, such as government regulations. The Corporation undertakes exploration in areas that are or could be the subject of native land claims. Such claims could delay work or increase exploration costs. The effect of these factors cannot be accurately determined.

### **17.10 Uninsured Hazard**

Hazards such as unusual geological conditions are involved in exploring for and developing mineral deposits. The Corporation may become subject to liability for pollution or other hazards, which cannot be insured against or against which the Corporation may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Corporation assets or the insolvency of the Corporation.

## **17. RISK FACTORS (CONT'D)**

### **17.11 Capital Needs**

The exploration, development, mining and processing of the Corporation's properties will require substantial additional financing. The only current source of future funds available to the Corporation is the sale of additional equity capital. There is no assurance that such funding will be available to the Corporation or that it will be obtained on terms favourable to the Corporation or will provide the Corporation with sufficient funds to meet its objectives, which may adversely affect the Corporation's business and financial position. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development or production on any or all of the Corporation's properties or even a loss of property interest.

### **17.12 Key Employees**

Management of the Corporation rests on a few key officers, the loss of any of whom could have a detrimental effect on its operations. The Corporation has a key man insurance covering the President of the Corporation.

### **17.13 Canada Revenue Agency and provincial agencies**

No assurance can be made that Canada Revenue Agency and provincial agencies will agree with the Corporation's characterization of expenditures as Canadian exploration expenses or Canadian development expense or the eligibility of such expenses as Canadian exploration expense under the Income Tax Act (Canada) or any provincial equivalent.

## **18. FORWARD LOOKING INFORMATION**

Some statements contained in this MD&A, specially the opinions, the projects, the objectives, the strategies, the estimates, the intent and the expectations of Midland that are not historical data, are forward looking statements. Such statements can be recognized by the terms "forecast", "anticipate", "consider", "foresee" and other terms and similar expressions. These statements are based on information available at the time they are made, on assumptions established by the management and on the management expectation, acting in good faith, concerning future events and concerning, by their nature, known and unknown risks and uncertainties mentioned herein (see the section 17 Risks factors). The real results for Midland could differ in an important way of those which state or that these forward looking statements show the possibility for. Consequently it is recommended not to trust unduly these statements. These statements do not reflect the potential incidence of special events which could be announced or take place after the date of this MD&A. These statements speak only as of the date of this MD&A. Midland undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable law.

December 10, 2015

*(s) Gino Roger*  
\_\_\_\_\_  
Gino Roger  
President and CEO

*(s) Ingrid Martin*  
\_\_\_\_\_  
Ingrid Martin  
CFO



December 10, 2015

## **Independent Auditor's Report**

### **To the shareholders of Midland Exploration Inc.**

We have audited the accompanying financial statements of Midland Exploration Inc., which comprise the statements of financial position as at September 30, 2015 and 2014 and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Midland Exploration Inc. as at September 30, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP<sup>1</sup>*

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A123642

# Midland Exploration Inc.

## Statements of Financial Position

As at September 30, 2015 and 2014

	As at September 30	
	2015	2014
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 5)	5,862,953	1,667,402
Investments (note 6)	4,535,807	2,060,000
Accounts receivable	99,057	62,983
Sales tax receivable	183,942	118,335
Tax credits and mining rights receivable	73,713	66,578
Prepaid expenses	55,187	24,168
	10,810,659	3,999,466
<b>Non-current assets</b>		
Investments - non-current portion (note 6)	6,496,000	-
Exploration and evaluation assets (note 7)		
Exploration properties	1,200,584	1,090,489
Exploration and evaluation expenses	5,900,412	4,802,845
	7,100,996	5,893,334
	13,596,996	5,893,334
<b>Total assets</b>	<b>24,407,655</b>	<b>9,892,800</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	670,350	464,004
Advance received for exploration work	141,170	370,329
Liability related to the premium on flow-through share	-	27,460
<b>Total liabilities</b>	811,520	861,793
<b>Equity</b>		
Capital stock	31,288,335	17,270,485
Warrants (note 8)	2,113,643	30,818
Contributed surplus	2,088,784	1,959,018
Deficit	(11,894,627)	(10,229,314)
<b>Total equity</b>	23,596,135	9,031,007
<b>Total liabilities and equity</b>	<b>24,407,655</b>	<b>9,892,800</b>

*The accompanying notes are an integral part of these financial statements.*

### On behalf of the Board

(s) Jean-Pierre Janson  
Jean-Pierre Janson  
Director

(s) Gino Roger  
Gino Roger  
President, Director

# Midland Exploration Inc.

## Statements of Comprehensive Loss

For the years ended September 30, 2015 and 2014

	Fiscal 15	Fiscal 14
	\$	\$
<b>Revenues</b>		
Project management fees	299,418	165,435
Residual gain on option payments on mining assets	2,034	7,148
	301,452	172,583
<b>Operating Expenses</b>		
Salaries	348,858	328,600
Stock-based compensation	66,913	170,451
Travel	62,415	54,310
Rent and insurance	50,664	48,074
Office expenses	92,225	87,593
Regulatory fees	44,301	31,368
Conferences and mining industry involvement	99,544	77,477
Press releases and investors relations	60,601	63,896
Professional fees	236,859	197,048
General exploration	2,878	12,059
Impairment of exploration and evaluation assets (note 7)	225,826	1,288,721
Operating expenses	1,291,084	2,359,597
<b>Other gains or losses</b>		
Interest income	121,237	56,565
<b>Loss before income taxes</b>	(868,395)	(2,130,449)
Recovery of deferred income taxes (note 11)	239,297	155,863
<b>Loss and comprehensive loss</b>	<b>(629,098)</b>	<b>(1,974,586)</b>
Basic and diluted loss per share (note 10)	(0.02)	(0.07)

The loss and comprehensive loss are solely attributable to Midland Exploration Inc. shareholders.

*The accompanying notes are an integral part of these financial statements.*

# Midland Exploration Inc.

## Statements of Changes in Equity

For the years ended September 30, 2015 and 2014

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
<b>Balance at Oct. 1, 2014</b>	30,306,512	17,270,485	30,818	1,959,018	(10,229,314)	9,031,007
Loss and comprehensive loss	-	-	-	-	(629,098)	(629,098)
Private placements	21,885,857	13,323,007	1,997,093	-	-	15,320,100
Flow-through private placement	1,066,683	906,680	-	-	-	906,680
Less: premium	-	(211,837)	-	-	-	(211,837)
	1,066,683	694,843	-	-	-	694,843
Stock-based compensation	-	-	-	98,948	-	98,948
Warrants expired	-	-	(30,818)	30,818	-	-
Broker warrants	-	-	116,550	-	(116,550)	-
Share issue expenses	-	-	-	-	(919,665)	(919,665)
<b>Balance at Sept. 30, 2015</b>	<b>53,259,052</b>	<b>31,288,335</b>	<b>2,113,643</b>	<b>2,088,784</b>	<b>(11,894,627)</b>	<b>23,596,135</b>

	Number of shares outstanding	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
<b>Balance at Oct. 1, 2013</b>	28,671,225	16,133,166	52,542	1,639,751	(8,212,542)	9,612,917
Loss and comprehensive loss	-	-	-	-	(1,974,586)	(1,974,586)
Private placement	802,001	570,683	30,818	-	-	601,501
Flow-through private placement	833,286	749,959	-	-	-	749,959
Less: premium	-	(183,323)	-	-	-	(183,323)
	833,286	566,636	-	-	-	566,636
Stock-based compensation	-	-	-	266,725	-	266,725
Warrants expired	-	-	(52,542)	52,542	-	-
Share issue expenses	-	-	-	-	(42,186)	(42,186)
<b>Balance at Sept. 30, 2014</b>	<b>30,306,512</b>	<b>17,270,485</b>	<b>30,818</b>	<b>1,959,018</b>	<b>(10,229,314)</b>	<b>9,031,007</b>

The accompanying notes are an integral part of these financial statements.



# Midland Exploration Inc.

## Statements of Cash Flows

For the years ended September 30, 2015 and 2014

	Fiscal 15	Fiscal 14
	\$	\$
<b>Operating activities</b>		
Loss	(629,098)	(1,974,586)
Adjustment for:		
Residual gain on option payments on mining assets	(2,034)	(7,148)
Stock-based compensation	66,913	170,451
Impairment of exploration and evaluation assets	225,826	1,288,721
Recovery of deferred income taxes	(239,297)	(155,863)
	(577,690)	(678,425)
Changes in non-cash working capital items		
Accounts receivable	(36,074)	5,972
Sales tax receivable	(65,607)	2,575
Tax credits and mining rights receivable	(6,650)	(3,534)
Prepaid expenses	(31,019)	(1,802)
Accounts payable and accrued liabilities	(58,608)	258,827
Advance received for exploration work	(229,159)	370,329
	(427,117)	632,367
	<b>(1,004,807)</b>	<b>(46,058)</b>
<b>Financing activities</b>		
Private placements	15,320,100	601,501
Flow-through private placement	906,680	749,959
Share issue expenses	(919,665)	(42,186)
	<b>15,307,115</b>	<b>1,309,274</b>
<b>Investing activities</b>		
Additions to investments	(11,031,807)	-
Disposals of investments	2,060,000	-
Additions to exploration properties	(300,840)	(178,896)
Disposals of exploration properties	30,000	60,000
Additions to exploration and evaluation expenses	(924,615)	(901,795)
Tax credits and mining rights received	60,505	162,339
	<b>(10,106,757)</b>	<b>(858,352)</b>
<b>Net change in cash and cash equivalents</b>	4,195,551	404,864
Cash and cash equivalents – beginning (note 5)	1,667,402	1,262,538
<b>Cash and cash equivalents – ending (note 5)</b>	<b>5,862,953</b>	<b>1,667,402</b>

*Additional disclosure (see note 15)*

*The accompanying notes are an integral part of these financial statements.*

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

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### 1. STATUTE OF INCORPORATION AND NATURE OF ACTIVITIES

Midland Exploration Inc. (“the Corporation”), incorporated in Canada on October 2, 1995 and operating under the Business Corporations Act (Québec), is a company in the mining exploration business. The Corporation’s operations include the acquisition and exploration of mining properties. Its head office is located at 1, Place Ville Marie, suite 4000, Montreal, Quebec, H3B 4M4. The Corporation’s shares are listed on the TSX Venture Exchange (the “Exchange”) under the MD ticker.

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration properties. The recoverability of exploration and evaluation assets is dependent upon: the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain the necessary financing to complete exploration and the profitable sale of the assets. The Corporation will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Although the Corporation has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Corporation’s title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The accompanying financial statements have been prepared in accordance with the *International Financial Reporting Standards* (“IFRS”) as issued by the *International Accounting Standards Board* (“IASB”). The accounting policies, method of computation and presentation applied to these financial statements are consistent with those of the previous financial year. These financial statements were approved and authorized for issue by the Board of Directors on December 10, 2015.

#### 2.2 Basis of measurement

These financial statements have been prepared on a historical cost basis except for certain assets at fair value.

#### 2.3 Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

#### 2.4 Jointly controlled assets and exploration activities

A jointly controlled asset involves joint control and offers joint ownership by the Corporation and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity.

Where the Corporation’s activities are conducted through jointly controlled assets and exploration activities, the financial statements include the Corporation’s share in the assets and the liabilities as well as in the income and the expenses from the joint operations.

#### 2.5 Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and all substantial risks and rewards have been transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

The category of financial instruments determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income relating to financial instruments that are recognized in profit or loss are presented within other gains or losses.

#### a) Financial assets

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment.

##### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Corporation has the intention and ability to hold them until maturity.

Held-to-maturity investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

As of September 30, 2015, the Corporation had no investments classified as held-to-maturity.

##### *Impairment of financial assets*

All financial assets are subject to review for impairment periodically. Financial assets are impaired only if there is objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganization.

Individually significant accounts receivable are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

#### b) Financial liabilities

##### *Financial liabilities measured at amortized cost*

Accounts payable and accrued liabilities and advance received for exploration work are initially measured at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### c) Classification

The Corporation has classified its financial instruments as follows:

Category	Financial instruments
Loans and receivables	Bank balance and cash on hand Guaranteed investment certificates In trust deposits High interest savings account Accounts receivable Accrued interest receivable
Financial liabilities measured at amortized cost	Accounts payable and accrued liabilities Advance received for exploration work

#### 2.6 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short-term liquid investments with original maturities of three months or less or cashable at any time without penalties.

#### 2.7 Taxes credits and mining rights receivable

The Corporation is entitled to a refundable tax credit on qualified exploration expenditures incurred and a refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the exploration and evaluation expenses incurred. As management intends to realize the carrying value of its assets and settle the carrying value of its liabilities through the sale of its exploration and evaluation assets, the related deferred tax has been calculated accordingly.

#### 2.8 Exploration and evaluation assets

Exploration and evaluation ("E&E") assets are comprised of exploration properties and E&E expenses. All costs incurred prior to obtaining the legal rights to undertake E&E activities on an area of interest are expensed as incurred.

E&E assets include rights in exploration properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits.

Mining rights are recorded at acquisition cost less accumulated impairment losses. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into commercial production.

E&E expenses for each separate area of interest are capitalized (net from E&E expenses recharged to partners) and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. E&E expenses include the cost of:

- ◆ establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body;
- ◆ determining the optimal methods of extraction and metallurgical and treatment processes;
- ◆ studies related to surveying, transportation and infrastructure requirements;
- ◆ permitting activities; and
- ◆ economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E&E expenses include overhead expenses directly attributable to the related activities.

Cash flows attributable to capitalized E&E costs are classified as investing activities in the statement of cash flows.

From time to time, the Corporation may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded.

Option payments are recorded when they are made or received. Proceeds on the sale of exploration properties are applied by property in reduction of the exploration properties, then in reduction of the E&E expenses and any residual is recorded in the statement of comprehensive loss unless there is contractual work required in which case the residual gain is deferred and will reduce the contractual disbursements when done.

Funds received from partners on certain properties where the Corporation is the operator in order to perform exploration work as per agreements, are accounted for in the statement of financial position as advances received for upcoming exploration work. These advances are reduced gradually when the exploration work is performed. The project management fees received when the Corporation is the operator are recorded in the statement of comprehensive loss when the E&E expenses are charged back to the partner. When the partner is the operator, the management fees are recorded in the statement of financial position as E&E expenses.

#### 2.9 Operating lease agreements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the statement of comprehensive loss or capitalized in the E&E expenses on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses, are charged as incurred.

#### 2.10 Impairment of non-financial assets

E&E assets are reviewed for impairment, by area of interest, if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the impairment charge for the period.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.11 Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not provided for if they arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income tax assets and liabilities are presented as noncurrent and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### 2.12 Equity

Capital stock represents the amount received on the issue of shares. Warrants represent the allocation of the amount received for units issued as well as the charge recorded for the broker warrants relating to financing. Contributed surplus includes charges related to stock options until they are exercised and the warrants that are expired and not exercised. Deficit includes all current and prior period retained profits or losses and share issue expenses.

Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes pricing model.

#### 2.13 Flow-through shares

The Corporation finances some E&E expenses through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The difference between the amount recorded as common share and the amount paid by the investors for the shares (the "premium"), measured with the residual value method, is accounted for as flow-through share premium, which is reversed to income as recovery of deferred income taxes when the eligible expenses are incurred. The Corporation recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred.

#### 2.14 Share and warrant issue expenses

Share and warrant issue expenses are accounted for in the year in which they are incurred and are recorded as a deduction to equity in the deficit in the year in which the shares are issued.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 2.15 Stock-based compensation

The Corporation operates an equity-settled share-based remuneration plan (share options plan) for its eligible directors, officers, employees and consultants. The Corporation's plan does not feature any options for a cash settlement.

An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Corporation. The expense is recorded over the vesting period for employees and over the period covered by the contract for non-employees.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values, unless that fair value cannot be estimated reliably. If the Corporation cannot estimate reliably the fair value of the goods or service received, the Corporation shall measure their value indirectly by reference to the fair value of the equity instruments granted. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date using the Black Scholes option pricing model and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments (except warrants to brokers) are ultimately recognized as an expense in the statement of comprehensive loss or capitalized as an E&E expenses on the statement of financial position, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. Warrants to brokers, in respect of an equity financing are recognized as share issue expense reducing the equity in the deficit with a corresponding credit to warrants.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are recorded as capital stock. The accumulated charges related to the share options recorded in contributed surplus are then also transferred to capital stock.

#### 2.16 Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share is calculated using the weighted average number of shares outstanding during the year for the calculation of the dilutive effect of warrants and stock options unless they have an anti-dilutive effect.

#### 2.17 Revenue recognition

The project management fees received when the Corporation is the operator are recorded in the statement of comprehensive loss when the exploration work recharged to the partners are incurred.

#### 2.18 Segment disclosures

The Corporation currently operates in a single segment – the acquisition, exploration and evaluation of exploration properties. All of the Corporation's activities are conducted in Canada.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

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### 3. ACCOUNTING STANDARDS ISSUED RECENTLY

The most relevant standards, amendments and interpretations issued up to the date of the issuance of these financial statements are listed below.

#### 3.1 New accounting standards issued and in effect

##### a) IFRIC 21, Levies (“IFRIC 21”)

In May 2013, the IASB issued IFRIC 21, Levies. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. IFRIC 21 provides guidance for levies in accordance with IAS 37, Provision, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The Corporation adopted IFRIC 21 in its financial statements for the fiscal year beginning October 1, 2014 and the adoption did not have any impact.

#### 3.2 Accounting standards issued but not yet effective

##### a) IFRS 9, Financial Instruments, (“IFRS 9”)

In November 2009 and October 2010, the IASB issued the first phase of IFRS 9, Financial Instruments. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes a third measurement category for financial assets (fair value through other comprehensive income) and a single, forward-looking ‘expected loss’ impairment model.

This standard is part of a wider project to replace IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only three classification categories: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset or liability. It also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management.

The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Management is currently reviewing the impact that this standard will have on its financial statements.

### 4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results could differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.



# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

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### 4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (CONT'D)

#### JUDGEMENTS

##### 4.1 Impairment of E&E assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of E&E assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further E&E of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires considerable management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Corporation's assets and earnings may occur during the next period.

The total impairment loss of the E&E assets recognized is \$225,826 for the year ended September 30, 2015 ("Fiscal 15") (\$1,288,721 for the year ended September 30, 2014 ("Fiscal 14")). No reversal of impairment losses has been recognized for the reporting periods.

##### 4.2 Deferred taxes

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. Judgment is also involved in the determination of the expected manner of realisation or settlement of the carrying amount of the Corporation's assets and liabilities which is expected to be through the sale of the Corporation's assets.

*Valuation of credit on duties refundable for loss and the refundable tax credit for resources.*

Refundable credit on mining duties and refundable tax credit related to resources for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including credit on mining duties and tax credit related to resources for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection. The calculation of the Corporation's credit on mining duties and tax credit related to resources necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until notice of assessments and payments have been received from the relevant taxation authority.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

### 4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (CONT'D)

Differences arising between the actual results following final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to credit on mining duties and tax credit related to resources, exploration and evaluation assets and expenses, and income tax expense in future periods. The amounts recognized in the financial statements are derived from the Corporation's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Corporation's financial position and its financial performance and cash flows.

### 5. CASH AND CASH EQUIVALENTS

	As at September 30	
	2015	2014
	\$	\$
Cash	794,026	664,362
Guaranteed investment certificate bearing interest between 1.05% and 1.25%, maturing between December 4, 2015 and June 8, 2016	5,068,927	-
Guaranteed investment certificate bearing interest between 1.15% and 1.25%, maturing between December 22, 2014 and February 23, 2015	-	1,003,040
	<b>5,862,953</b>	<b>1,667,402</b>

As of September 30, 2014, the balance on flow-through financing not spent according to the restrictions imposed by the December 2013 financing represents \$111,510 and is included in the investments. The Corporation has to dedicate these funds to Canadian mining properties exploration and that work was completed by December 31, 2014. On the other hand, all the exploration work imposed by the December 2014 financing was completed before September 30, 2015.

### 6. INVESTMENTS

	As at September 30	
	2015	2014
	\$	\$
<i>Current</i>		
Guaranteed investment certificates, not cashable before the expiry date, between 1.40% and 1.60% interest payable annually, maturing between November 27, 2015 and July 15, 2016, with a maturity value of \$4,602,894	4,535,807	-
Guaranteed investment certificates, not cashable before the expiry date, between 1.90% and 2.05% interest, maturing between November 26, 2014 and December 18, 2014, with a maturity value of \$2,142,129	-	2,060,000
<i>Non-current</i>		
Guaranteed investment certificates, not cashable before the expiry date, between 1.60% and 1.95% interest payable annually, maturing between June 5, 2017 and July 16, 2018, with a maturity value of \$6,608,312	6,496,000	-
	<b>11,031,807</b>	<b>2,060,000</b>

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

### 7. EXPLORATION AND EVALUATION ASSETS

The following tables disclose the acquisition costs of exploration properties:

Acquisition costs	Undivided interest	As at Sept. 30, 2014	Additions	Option payments	Impairment	As at Sept. 30, 2015
	%	\$	\$	\$	\$	\$
<b>Abitibi</b>						
Maritime-Cadillac	49	290,437	3	-	-	290,440
Laflamme	64.9	69,093	27,792	-	(14,690) <sup>1)</sup>	82,195
Patris	100	87,072	-	-	-	87,072
Casault	100	16,717	932	-	-	17,649
Jouvex	100	44,244	-	-	-	44,244
Heva	100	95,203	5,299	-	-	100,502
Valmond	100	-	3,666	-	-	3,666
La Peltrie	100	9,362	60,637	-	-	69,999
Adam	100	-	17,966	(17,966)	-	-
Abitibi Or	100	77,521	(8,291)	-	-	69,230
<b>Grenville-Appalaches</b>						
Weedon	100	37,438	7,655	-	(13,100) <sup>1)</sup>	31,993
Gatineau	100	18,688	3,811	-	(9,344) <sup>1)</sup>	13,155
<b>James Bay</b>						
James Bay Au	100	180,191	50,923	-	(66,293) <sup>1)</sup>	164,821
Eleonore	100	77,730	24,782	-	-	102,512
James Bay U	100	9,828	63	-	(9,891) <sup>2)</sup>	-
James Bay Fe	100	47,808	7,856	-	(55,664) <sup>2)</sup>	-
<b>Northern Quebec</b>						
Pallas PGE	50	11,301	50,000	-	-	61,301
Willbob	100	1,130	33,422	-	-	34,552
<b>Quebec Labrador</b>						
Ytterby	50.5	1,512	6,279	-	-	7,791
<b>Project Generation</b>	100	15,214	4,248	-	-	19,462
		<b>1,090,489</b>	<b>297,043</b>	<b>(17,966)</b>	<b>(168,982)</b>	<b>1,200,584</b>

1) Some claims were dropped and the Corporation impaired partially the property.

2) The Company wrote off the property since no exploration program are planned for the near future.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

### 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

Acquisition costs	Undivided interest	As at Sept. 30, 2013	Additions	Option payments	Impairment	As at Sept. 30, 2014
	%	\$	\$	\$	\$	\$
<b>Abitibi</b>	49	290,437	-	-	-	290,437
Maritime-Cadillac	61.6	61,867	10,010	-	(2,784) <sup>1)</sup>	69,093
Laflamme	100	88,996		-	-	87,072
			(1,924)			
Patris	100	3,628	13,089	-	-	16,717
Casault	100	8,346	1,464	(9,810)	-	-
Jouvex	100	89,591	5,612	-	-	95,203
Heva	100	-	32,852	(32,852)	-	-
Valmond	100	29,978	17,416	-	(3,150) <sup>1)</sup>	44,244
Samson	100	-	9,362	-	-	9,362
La Peltrie						
Abitibi Or	100	-	77,521	-	-	77,521
<b>Grenville-Appalaches</b>						
Weedon	100	43,810	2,828	-	(9,200) <sup>1)</sup>	37,438
Gatineau	100	19,209	2,172	-	(2,693) <sup>1)</sup>	18,688
<b>James Bay</b>						
James Bay Au	100	160,854	28,023	-	(8,686) <sup>1)</sup>	180,191
Eleonore	100	88,372	18,520	-	(29,162) <sup>1)</sup>	77,730
James Bay U	100	9,828	-	-	-	9,828
James Bay Fe	100	44,917	2,891	-	-	47,808
<b>Northern Quebec</b>						
Pallas PGE	100	59,540	(48,239)	-	-	11,301
Willbob	100	-	1,130	-	-	1,130
<b>Quebec Labrador</b>						
Ytterby	50	25,307	1,916	-	(25,711) <sup>1)</sup>	1,512
<b>Project Generation</b>	100	6,292	11,695	-	(2,773) <sup>1)</sup>	15,214
		<b>1,030,972</b>	<b>186,338</b>	<b>(42,662)</b>	<b>(84,159)</b>	<b>1,090,489</b>

1) Some claims were dropped and the Corporation impaired partially the property.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

### 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

The following two tables disclose details of exploration and evaluation expenses:

E&E expenses	Undivided interest	As at Sept. 30, 2014	Additions	Option payments	Tax credits	Impairment	As at Sept. 30, 2015
	%	\$	\$	\$	\$	\$	\$
<b>Abitibi</b>							
Maritime-Cadillac	49	232,965	-	-	-	-	232,965
Laflamme	64.9	1,310,514	199,977	-	(3,262)	-	1,507,229
Patris	100	208,755	10,388	-	-	-	219,143
Casault	100	290,082	8,806	-	-	-	298,888
Jouvex	100	346,090	2,367	-	-	-	348,457
Heva	100	18,563	16,570	-	-	-	35,133
Valmond	100	123,955	6,787	(10,000)	-	-	120,742
Samson	100	-	439	-	-	-	439
La Peltrie	100	-	118,209	-	-	-	118,209
Adam	100	-	-	-	-	-	-
Abitibi Au	100	36,641	83,556	-	(2,356)	-	117,841
<b>Grenville-Appalaches</b>							
Weedon	100	388,013	108,768	-	(12,502)	-	484,279
Gatineau	100	28,766	126	-	-	-	28,892
<b>James Bay</b>							
James Bay Au	100	216,677	37,758	-	(6,378)	-	248,057
Eleonore	100	1,175,139	377,436	-	(25,223)	-	1,527,352
James Bay U	100	14,686	-	-	-	(14,686) <sup>1)</sup>	-
James Bay Fe	100	42,158	-	-	-	(42,158) <sup>1)</sup>	-
<b>Northern Quebec</b>							
Pallas PGE	50	216,088	53,459	-	(156)	-	269,391
Willbob	100	5,116	117,948	-	(11,113)	-	111,951
<b>Quebec Labrador</b>							
Ytterby	50.5	109,090	62,964	-	-	-	172,054
<b>Project Generation</b>	100	39,547	19,843	-	-	-	59,390
		<b>4,802,845</b>	<b>1,225,401</b>	<b>(10,000)</b>	<b>(60,990)</b>	<b>(56,844)</b>	<b>5,900,412</b>

1) The Company wrote off the property since no exploration program are planned for the near future.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

### 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

E&E expenses	Undivided interest %	As at	Additions	Option	Tax credits	Impairment	As at
		Sept. 30, 2013		payments			Sept. 30, 2014
		\$	\$	\$	\$	\$	\$
<b>Abitibi</b>							
Maritime-Cadillac	49	228,787	4,178	-	-	-	232,965
Laflamme	61.6	1,167,804	143,709	-	(999)	-	1,310,514
Patris	100	179,176	31,913	-	(2,334)	-	208,755
Casault	100	214,479	78,480	-	(2,877)	-	290,082
Jouvex	100	237,576	111,080	-	(2,566)	-	346,090
Heva	100	16,149	2,720	-	(306)	-	18,563
Valmond	100	113,507	22,166	(10,190)	(1,528)	-	123,955
Abitibi Au	100	-	36,859	-	(218)	-	36,641
<b>Grenville-Appalaches</b>							
Weedon	100	359,196	33,991	-	(5,174)	-	388,013
Gatineau	100	28,648	132	-	(14)	-	28,766
<b>James Bay</b>							
James Bay Au	100	162,521	57,004	-	(2,848)	-	216,677
Eleonore	100	949,831	241,004	-	(15,696)	-	1,175,139
James Bay U	100	14,686	-	-	-	-	14,686
James Bay Fe	100	42,158	-	-	-	-	42,158
<b>Northern Quebec</b>							
Pallas PGE	100	210,168	41,654	-	(35,734)	-	216,088
Willbob	100	-	5,116	-	-	-	5,116
<b>Quebec Labrador</b>							
Ytterby	50	1,277,720	39,144	-	(3,212)	(1,204,562) <sup>1)</sup>	109,090
<b>Project Generation</b>	100	36,125	5,600	-	(2,178)	-	39,547
		<b>5,238,531</b>	<b>854,750</b>	<b>(10,190)</b>	<b>(75,684)</b>	<b>(1,204,562)</b>	<b>4,802,845</b>

1) Some claims were dropped and the Corporation impaired partially the property.

#### ABITIBI

##### 7.1 Maritime-Cadillac

The Corporation holds 49% of the Maritime-Cadillac property. The property is subject to a 2% net smelter return ("NSR") royalty; half of the royalty can be bought back for a payment of \$1,000,000.

As per the agreement signed in June 2009 and amended in November 2012 and May 2013, Agnico Eagle Mines Limited ("Agnico Eagle") and the Corporation are in a joint venture and future work are shared 51% Agnico Eagle - 49% the Corporation.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

### 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

#### 7.2 Laflamme Au-Cu

On August 17, 2009, the Corporation signed an agreement with Aurbec Mines Inc., (previously a subsidiary of North American Palladium Ltd.) that was sold to Maudore Minerals Ltd in March 2013. As of July 31, 2011, Aurbec earned its 50% interest in the Laflamme property but no longer contributes in the exploration programs and is therefore being diluted. The Corporation holds 64.9% of the Laflamme property. In January, 2015, Aurbec was declared bankrupt and the liquidation process is proceeding.

#### 7.3 Patris

The Corporation holds the Patris property and some claims are subject to the following NSR royalties:

- 1%, the Corporation can buy it back for \$500,000 per 0.5% tranche for a total of \$1,000,000;
- 1.5%, the Corporation can buy it back for \$500,000 per 0.5% tranche for a total of \$1,500,000.
- 2%, the Corporation can buy it back for \$1,000,000 per 1% tranche for a total of \$2,000,000;
- 2%, the Corporation can buy it back for \$1,000,000 per 1% tranche for a total of \$2,000,000;
- 2%, the Corporation can buy it back for \$500,000 the first 1% tranche and for \$1,000,000 for the second 1% tranche, for a total of \$1,500,000.

The Corporation signed an option agreement with Teck Resources Ltd ("Teck") on September 6, 2013 and amended it on May 20, 2014 to accommodate the delays in permitting. Under the agreement, Teck may earn, in three options, a maximum interest of 65%, by fulfilling the following conditions:

	Payments in	
	cash	Work
	\$	\$
<b>First Option for a 50% initial interest</b>		
On or before August 31, 2015 (firm commitment)(completed)	-	500,000
On or before August 31, 2016	-	800,000
On or before August 31, 2017	-	1,700,000
	-	3,000,000
<b>Second Option for a 10% additional interest</b>		
On or before August 31, 2019, \$500,000 of exploration work and \$60,000 cash payment for each additional 2% interest	300,000	2,500,000
<b>Third Option for a 5% additional interest</b>		
On or before August 31, 2021, \$1,000,000 of exploration work for each additional 1% interest	-	5,000,000
<b>Total, for a 65% maximum interest</b>	<b>300,000</b>	<b>10,500,000</b>

Teck will be project operator during the First Option.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

### 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

#### 7.4 Casault

The Corporation holds claims north of the city of LaSarre.

On October 10, 2014, the Corporation signed a letter of intent with SOQUEM INC. ("SOQUEM") to grant SOQUEM the option to acquire a 50% undivided interest in its Casault and Jouvex properties, and to create a joint venture once the option has been exercised, under the following conditions:

	<b>Work Commitment</b>
	<b>\$</b>
On or before October 10, 2015 (firm commitment) (completed)	1,000,000
On or before October 10, 2016 (completed)	1,000,000
On or before October 10, 2017	1,000,000
On or before October 10, 2018	1,500,000
	<b>4,500,000</b>

The Corporation is the operator during the option period.

#### 7.5 Heva

The Corporation owns the Heva property and some claims are subject to a 2% NSR royalty to the original holders, half of the royalty can be bought back for a payment of \$1,000,000.

#### 7.6 Valmond

On November 19, 2013, the Corporation signed an agreement with Sphinx Resources Ltd. ("Sphinx") whereby Sphinx could have acquired 50% of the Valmond property subject to \$250,000 payments in cash (\$30,000 completed) and \$2,500,000 exploration work (\$670,350 completed). In August 2015, Sphinx terminated the agreement on the Valmont property.

#### 7.7 Samson

On September 3, 2014, the Corporation signed an agreement with Sphinx whereby Sphinx can acquire 50% of the Samson property subject to the following conditions:

	<b>Payments in cash Commitment</b>	<b>Work Commitment</b>
	<b>\$</b>	<b>\$</b>
Upon signing (completed)	40,000	-
On or before September 3, 2015 (\$350,000 firm commitment) <sup>1)</sup>	40,000	500,000
On or before September 3, 2016	50,000	700,000
On or before September 3, 2017	70,000	900,000
On or before September 3, 2018	75,000	1,400,000
<b>Total</b>	<b>275,000</b>	<b>3,500,000</b>

1) Terms of the September 3, 2015 cash payment are under discussion. The work commitment is completed.

- The Corporation will be the operator during the option;
- Upon acquiring a 50% interest, a joint venture will be formed;
- If a party's interest dilutes to 10% or less, its interest will be converted to a 2% NSR royalty, 1% of which can be purchased back for \$1,500,000.



# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

### 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

#### 7.8 Adam

On December 12, 2014, the Corporation signed an agreement with Sphinx whereby Sphinx can acquire 50% of the Adam property subject to the following conditions:

	Payments in cash	Work
	\$	\$
Upon signing (completed)	20,000	-
On or before December 12, 2015	40,000	400,000
On or before December 12, 2016	50,000	400,000
On or before December 12, 2017	70,000	1,000,000
On or before December 12, 2018	70,000	1,200,000
<b>Total</b>	<b>250,000</b>	<b>3,000,000</b>

The Corporation is the operator during the option.

### GRENVILLE-APPALACHES

#### 7.9 Weedon

The Corporation holds the Weedon property and some claims are subject to NSR royalties of:

- 1%, the Corporation can buy it back for \$500,000 per 0.5% tranche for a total of \$1,000,000;
- 0.5%, the Corporation can buy it back for \$500,000;
- 1.5%, the Corporation can buy it back for \$500,000 per 0.5% tranche for a total of \$1,500,000.

### NORTHERN QUEBEC

#### 7.10 Pallas PGE

On January 21, 2014, the Corporation signed an option agreement with Japan Oil, Gas and Metals National Corporation (« JOGMEC ») whereby JOGMEC has the option to acquire 50% interest in the Pallas PGE project prior to March 31, 2016 by funding \$2,000,000 in expenditures spread as following:

	Works
	\$
On or before March 31, 2014 (completed)	250,000
On or before March 31, 2015 (completed)	700,000
On or before March 31, 2016 (completed)	1,050,000
<b>Total</b>	<b>2,000,000</b>

The Corporation will be operator as long as it will hold an interest equal to or higher than 50% in the project.

In September 2015, JOGMEC has funded \$2,000,000 of exploration work and now has the right to exercise its option to acquire a 50% interest in the Pallas PGE property.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

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### 7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

#### QUEBEC / LABRADOR

##### 7.11 Ytterby

On February 23, 2010, the Corporation signed a memorandum of agreement (and on July 29, 2011 a definitive agreement) with JOGMEC whereby JOGMEC acquired a right in a 50% interest in the Ytterby property by funding \$2,700,000 exploration work. As of September 30, 2015, JOGMEC has not yet given its notice to exercise its right. In spring 2015, JOGMEC indicated that it would not participate in the summer 2015 exploration program and its interest has now been diluted to 49.5%.

### 8. EQUITY

#### *Authorized*

Unlimited number of common shares without par value, voting and participating.

#### 8.1 Private placements

##### a) December 2013

On December 19, 2013, the Corporation completed a private placement by issuing 802,001 units at \$0.75 per unit and 833,286 flow-through shares at \$0.90 per share, for total gross proceeds of \$1,351,460. Each unit is comprised of one common share and one-half of a warrant. Each whole warrant will entitle the holder to purchase one additional common share at \$1.00 until June 19, 2015.

From the total compensation received from the units, \$30,818 has been allocated to warrants and \$570,683 to common shares, according to a pro rata allocation of the estimated fair value of each of the two components. The estimated fair value of the warrants was determined using the Black-Scholes pricing model based on the following assumptions: no expected dividend yield, an expected volatility of 44.8%, a risk free interest rate of 1.02% and an expected life of the warrants of 18 months.

On December 19, 2013, the Corporation's share closed at \$0.68 on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation is \$0.22 for a total value of \$183,323 credited to the liability related to the premium on flow-through shares. As of September 30, 2014, the Corporation completed \$638,449 of exploration work relating to this flow-through private placement and therefore the liability related to the premium on flow-through shares was reduced to \$27,460. As of December 31, 2014, the Corporation had completed all the exploration work relating to this flow-through placement.

##### b) December 2014

#### *Units*

On December 3 and 17, 2014, the Corporation completed private placements by issuing 1,100,430 and 162,858 units respectively at \$0.70 per unit for total gross proceeds of \$884,302. Each unit is comprised of one common share and one-half of a warrant. Each whole warrant will entitle the holder to purchase one additional common share at \$0.95 until December 2 and 16, 2016 respectively.

From the total compensation received from the units, \$75,062 has been allocated to warrants and \$809,240 to common shares, according to a pro rata allocation of the estimated fair value of each of the two components. The estimated fair value of the warrants was determined using the Black-Scholes pricing model based on the following assumptions: no expected dividend yield, an expected volatility of 55.1% for the units issued December 3, 2014 and 56.2% for the units issued December 17, 2014, a risk free interest rate of 1.04% and an expected life of the warrants of 24 months.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

### 8. EQUITY (CONT'D)

#### *Flow-through*

On December 3 and 17, 2014, the Corporation completed private placements by issuing 1,036,683 and 30,000 flow-through shares respectively at \$0.85 per share, for total gross proceeds of \$906,680. On December 3 and 17, 2014, the Corporation's share closed at \$0.65 and \$0.70 on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation is \$0.20 and \$0.15 respectively for a total value of \$211,837 credited to the liability related to the premium on flow-through shares. As of September 30, 2015, the Corporation had completed all the exploration work relating to these flow-through placements.

In connection with the December 2014 private placements, the Corporation paid finder's fees of \$29,274.

#### c) May 2015

#### *Units*

On May 4 and 12, 2015, the Corporation completed a private placement of 20,622,569 units at a price of \$0.70 per unit for total gross proceeds of \$14,435,798. Each unit consisted of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of \$1.15 until May 3, 2018.

From the total compensation received from the units, \$1,922,031 has been allocated to warrants and \$12,513,767 to common shares, according to a pro rata allocation of the estimated fair value of each of the two components. The estimated fair value of the warrants was determined using the Black-Scholes pricing model based on the following assumptions: no expected dividend yield, an expected volatility of 49.8%, a risk free interest rate of 0.51% and an expected life of the warrants of 3 years.

In connection with the private placement, the Corporation paid finder's fees of \$457,980 and issued compensation warrants entitling the finders to acquire 555,000 common shares of the Corporation at a price of \$0.70 per share until May 3, 2017. The total compensation warrants cost amounted to \$116,550 and this fair value was estimated using the Black-Scholes model with the same assumptions as the warrants except for an expected life of 2 years.

Share issue expenses, including the finder's fees and compensation warrants, totalled \$952,790 of which \$825,883 was allocated to capital stock and \$126,907 to warrants.

### 8.2 Warrants

Changes in the Corporation's number of outstanding warrants were as follow:

	Fiscal 15		Fiscal 14	
	Number	Amount	Number	Amount
		\$		\$
<b>Balance – Beginning of year</b>	401,001	30,818	469,975	52,542
Issued following private placements (note 8.1)	21,254,213	2,027,093	401,001	30,818
Expired	(401,001)	(30,818)	(469,975)	(52,542)
<b>Balance – End of year</b>	<b>21,254,213</b>	<b>2,027,093</b>	<b>401,001</b>	<b>30,818</b>

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

### 8. EQUITY (CONT'D)

Warrants outstanding as at September 30, 2015 are as follows:

Number of warrants	Exercise price	Expiry date
	\$	
550,215	0.95	December 2, 2016
81,429	0.95	December 16, 2016
20,622,569	1.15	May 3, 2018
<b>21,254,213</b>		

### 8.3 Broker warrants

Changes in the Corporation's number of outstanding broker warrants were as follow:

	Fiscal 15		Fiscal 14	
	Number	Amount	Number	Amount
		\$		\$
<b>Balance – Beginning of year</b>	-	-	-	-
Issued following a private placement (note 8.1)	555,000	116,550	-	-
<b>Balance – End of year</b>	<b>555,000</b>	<b>116,550</b>	-	-

Broker warrants outstanding as at September 30, 2015 are as follows:

Number of warrants	Exercise price	Expiry date
	\$	
555,000	0.70	May 3, 2017
<b>555,000</b>		

### 8.4 Policies and processes for managing capital

The capital of the Corporation consists of the items included in equity of \$23,596,135 as of September 30, 2015 (\$9,031,007 as of September 30, 2014). The Corporation's objectives when managing capital are to safeguard its ability to continue its operations as well as its acquisition and exploration programs. As needed, the Corporation raises funds in the capital markets. The Corporation does not use long term debts since it does not generate operating revenues. There is no dividend policy. The Corporation does not have any externally imposed capital requirements neither regulatory nor contractual requirements to which it is subject, unless the Corporation closes a flow-through private placement in which case the funds are reserved in use for exploration expenses (and the Corporation was in compliance during the year).

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

### 9. EMPLOYEE REMUNERATION

#### 9.1 Salaries

	Fiscal 15	Fiscal 14
	\$	\$
Salaries	755,900	663,032
Benefits	68,111	79,403
	824,011	742,435
Less : salaries and benefits capitalized in E&E assets	(475,153)	(413,835)
<b>Salaries disclosed on the statement of comprehensive loss</b>	<b>348,858</b>	<b>328,600</b>

#### 9.2 Stock-based compensation

	Fiscal 15	Fiscal 14
	\$	\$
Stock-based compensation	98,948	266,725
Less : stock-based compensation capitalized in the E&E assets	(32,035)	(96,274)
<b>Stock-based compensation disclosed on the statement of comprehensive loss</b>	<b>66,913</b>	<b>170,451</b>

The Corporation has a stock option plan (the "Plan"). The number of common shares granted is determined by the Board of Directors. The number of common shares reserved for issuance under the Corporation's fixed number stock option is 4,000,000. The exercise price of any option granted under the plan shall be fixed by the Board of Directors at the time of grant and shall not be lower than the closing price on the day preceding the grant. The term of the option will not exceed ten years from the date of grant. The options normally vest 1/6 per 3 months from the grant date, or otherwise as determined by the Board of Directors.

On February 20, 2014, the Corporation granted to its directors, officers, employees and consultants 605,000 options exercisable at \$0.85, valid for 10 years. Those options were granted at an exercise price equal to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to \$272,250 for an estimated fair value of \$0.45 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 55% expected volatility, 1.81% risk-free interest rate and 6 years options expected life. This expected life was estimated by benchmarking comparable situations for companies that are similar to the Corporation. The expected volatility was determined by calculating the historical volatility of the Corporation's share price back from the date of grant and for a period corresponding to the expected life of the options.

On August 13, 2015, the Corporation granted to its directors, officers, employees and consultants 475,000 options exercisable at \$0.60, valid for 10 years. Those options were granted at an exercise price equal to the closing market value of the shares the previous day of the grant. Total stock-based compensation costs amount to \$123,500 for an estimated fair value of \$0.26 per option. The fair value of the options granted was estimated using the Black-Scholes model with no expected dividend yield, 45% expected volatility, 1.12% risk-free interest rate and 6 years options expected life. This expected life was estimated by benchmarking comparable situations for companies that are similar to the Corporation. The expected volatility was determined by calculating the historical volatility of the Corporation's share price back from the date of grant and for a period corresponding to the expected life of the options.

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

### 9. EMPLOYEE REMUNERATION (CONT'D)

A summary of changes in the Corporation's common share purchase options is presented below:

	Fiscal 15		Fiscal 14	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
<b>Balance – Beginning of year</b>	1,780,000	1.27	1,520,000	1.31
Granted	475,000	0.60	605,000	0.85
Expired	(235,000)	1.48	(345,000)	0.70
<b>Balance – End of year</b>	<b>2,020,000</b>	<b>1.18</b>	<b>1,780,000</b>	<b>1.27</b>
Balance – End of year exercisable	1,545,000	1.24	1,376,668	1.40

The following table summarizes information about common share purchase options outstanding and exercisable as at September 30, 2015:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		\$	
260,000	260,000	1.76	February 17, 2021
315,000	315,000	1.54	February 16, 2022
20,000	20,000	1.61	February 27, 2022
345,000	345,000	1.25	February 19, 2023
605,000	605,000	0.85	February 20, 2024
475,000	-	0.60	August 13, 2025
<b>2,020,000</b>	<b>1,545,000</b>		

### 10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year divided by the weighted average number of shares in circulation during the year. In calculating the diluted loss per share, potential common shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 8 and 9.

	Fiscal 15	Fiscal 14
Loss	\$(629,098)	\$(1,974,586)
Weighted average number of basic and diluted outstanding shares	40,639,071	29,948,093
Basic and diluted net loss per share	\$(0.02)	\$(0.07)

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

### 11. INCOME TAXES

The income tax expense is made up of the following component:

	Fiscal 15	Fiscal 14
	\$	\$
Recovery of deferred income taxes		
Premium on flow-through share issuance	239,297	155,863
<b>Total recovery of deferred income taxes</b>	<b>239,297</b>	<b>155,863</b>

The provision for income taxes presented in the financial statements is different from what would have resulted from applying the combined Canadian Statutory tax rate as a result of the following:

	Fiscal 15	Fiscal 14
	\$	\$
Loss before income taxes	(868,395)	(2,130,449)
	(233,598)	
Combined federal and provincial income tax at 26.90%		(573,091)
Non-deductible expenses	22,917	85,412
Tax effect of renounced flow-through share expenditures	266,610	171,743
Amortization of flow-through share premiums	(239,297)	(155,863)
Unrecognized temporary differences	(76,376)	315,525
Other elements	(6,195)	411
Expired tax attributes	26,642	-
<b>Recovery of deferred income taxes</b>	<b>(239,297)</b>	<b>(155,863)</b>

The ability to realize the tax benefits is dependent upon a number of factors, including the sale of properties. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recognized. Accordingly, some deferred tax assets have not been recognized; these deferred tax assets not recognized amount to \$1,143,000.

As at September 30, 2015, significant components of the Corporation's deferred income tax assets and liabilities are as follows:

	Fiscal 15	Fiscal 14
	\$	\$
Deferred income tax assets		
Non-capital losses	1,648,000	1,458,000
Donations	18,000	14,000
Share and warrant issue expenses	259,000	50,000
Total deferred income tax assets	1 925 000	1,522,000
Deferred income tax liabilities		
E&E assets	782,000	582,000
Total deferred income tax liabilities	782,000	582,000
<b>Deferred income tax assets not recognized</b>	<b>1,143,000</b>	<b>940,000</b>

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

### 11. INCOME TAXES (CONT'D)

As of September 30, 2015, expiration dates of losses available to reduce future years' income tax are:

	Federal	Provincial
	\$	\$
2026	84,000	69,000
2027	126,000	112,000
2027	177,000	183,000
2028	540,000	514,000
2029	645,000	631,000
2030	726,000	713,000
2031	677,000	663,000
2032	748,000	736,000
2033	906,000	891,000
2034	760,000	749,000
2035	820,000	812,000

### 12. COMPENSATION TO KEY MANAGEMENT AND RELATED PARTY TRANSACTIONS

#### 12.1 Compensation to key management

The Corporation's key management personnel are members of the Board of Directors, as well as the president, the vice-president exploration and the chief financial officer. Key management remuneration is as follows:

	Fiscal 15	Fiscal 14
	\$	\$
Short-term benefits		
Salaries including bonuses and benefits	288,781	281,875
Professional fees	67,534	50,206
Professional fees recorded in share issue expenses	12,724	7,651
Salaries including bonuses and benefits capitalized in E&E expenses	132,260	125,400
Long-term benefits		
Stock-based compensation	65,050	170,451
Stock-based compensation capitalized in E&E expenses	10,842	28,248
<b>Total compensation</b>	<b>577,191</b>	<b>663,831</b>

On January 1<sup>st</sup>, 2015, the Corporation entered into an amended employment agreements with members of the senior management which, among other things, provides that in the event of a termination without cause or of a change of control, a compensation equivalent to between 12 to 18 months of salary will be paid. Also, on January 1<sup>st</sup>, 2015, the Corporation entered into a consulting agreement with another senior management, which provides that in the event of a termination without cause or of a change of control, a compensation equivalent to 18 months of remuneration will be paid.

#### 12.2 Related party transactions

In addition to the amounts listed above in the compensation to key management (note 12a), following are the related party transactions:



# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

### 12. COMPENSATION TO KEY MANAGEMENT AND RELATED PARTY TRANSACTIONS (CONT'D)

*In the normal course of operations:*

- ◆ A firm in which an officer is a partner charged professional fees amounting to \$125,932 (\$49,624 in Fiscal 14) of which \$55,001 (\$34,819 in Fiscal 14) was expensed and \$70,931 (\$14,805 in Fiscal 14) was recorded as share issue expenses;
- ◆ A company controlled by an officer charged professional fees of \$57,660 (\$48,368 in Fiscal 14) for her staff;
- ◆ As at September 30, 2015, the balance due to the related parties amounted to \$21,563 (\$7,394 in September 30, 2014).

*Out of the normal course of operations:*

- ◆ Directors and officers of the Corporation participated in the flow-through private placement of December 2014 (note 8.1 b)) for \$79,050 and in the units private placement of May 2015 (note 8.1 c)) for \$15,400 (\$103,600 in the flow-through private placements of December 2013 (note 8.1 a))). The directors and officers subscribed to the units private placement and the flow-through private placement under the same terms and conditions set forth all subscribers.

### 13. OPERATING LEASE

The Corporation's future minimum operating lease payments are as follows (assuming that the consumer price index will be the same as the one published October 2015 by Statistic Canada for a 12-month period which was 1.0%):

	<b>As of September 30, 2015</b>
	\$
Within 1 year	23,316
1 to 5 years	33,959
After 5 years	-
<b>Total</b>	<b>57,275</b>

In September 2012, the Corporation extended the lease for five years, from March 2013 to February 2018. The rent is \$21,875 for the first year and thereafter will be indexed annually at the highest of the increase of the consumer price index or 2.5%. The Corporation was also responsible for its proportionate share of the non-residential surtax and the water surtax.

Lease payments recognized as an expense during the reporting period amounted to \$24,871 (\$24,256 in Fiscal 14). This amount consists of minimum lease payments.

### 14. FINANCIAL INSTRUMENTS AND RISKS

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. The Corporation's management manages financial risks. The Corporation does not enter into financial instrument agreements including derivative financial instruments for speculative purposes. The Corporation's main financial risk exposure and its financial risk management policies are as follows:

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

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### 14. FINANCIAL INSTRUMENTS (CONT'D)

#### 14.1 Market Risk

##### *Interest rate fair value risk*

The Corporation's interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The investments included in cash and cash equivalents and also investments bear interest at a fixed rate and the Corporation is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. Interest rates 1% higher (lower) would have decreased (increased) the fair value of these by \$161,007 as of September 30, 2015 (\$7,048 as of September 30, 2014). The Corporation's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

#### 14.2 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is subject to concentrations of credit risk through cash and cash equivalents, investments and accounts receivable. The Corporation reduces its credit risk by maintaining part of its cash and cash equivalents and its investments in financial instruments held with a Canadian chartered bank, with a broker which is a subsidiary of a Canadian chartered bank or with an independent investment dealer member of the Canadian Investor Protection Fund. In Fiscal 15, the investments are composed of guaranteed investment certificates issued by Canadian banks or guaranteed by the Canadian Investor Protection Fund. The Corporation aims at signing partnership agreements with established companies and follows closely their cash position to reduce its credit risk on accounts receivable. The carrying amount of cash and cash equivalents and investments represents the Corporation maximum credit exposure.

#### 14.3 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet the obligations associated with its financial liabilities. As of September 30, 2015, the Corporation had enough funds available to meet its financial liabilities and future financial liabilities from its existing commitments. All accounts payable and accrued liabilities terms are less than 31 days.

#### 14.4 Fair value

The carrying value of cash and cash equivalents, accounts receivable, investments and accounts payable and accrued liabilities and advance received for upcoming exploration work are considered to be a reasonable approximation of their fair value because of the short-term maturity and contractual terms of these instruments.

Fair value estimates are made at the statement of financial position date, based on relevant market information and other information about financial instruments.

### 15. ADDITIONAL INFORMATION ON CASH FLOWS

	2015	2014
	\$	\$
Stock-based compensation included in E&E expenses	32,035	96,274
Additions of exploration properties and E&E expenses included in accounts payable and accrued liabilities	339,513	74,559
Tax credits receivable applied against E&E expenses	60,990	47,469
Interest received	73,945	55,245

# Midland Exploration Inc.

## Notes to Financial Statements

For the years ended September 30, 2015 and 2014

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### 16. SUBSEQUENT EVENT

On November 20, 2015, the Corporation completed a private placement by issuing 835,365 flow-through shares at \$0.85 per share, for total gross proceeds of \$710,060. On that date, the Corporation's share closed at \$0.62 on the Exchange, therefore the residual value attributed to the benefit related to flow-through shares renunciation is \$0.23 for a total value of \$192,134 credited to the liability related to the premium on flow-through shares. In connection with the private placement, the Corporation paid finder's fees of \$26,208. Directors and officers of the Corporation participated in these placements for a total consideration of \$96,050.

# Midland Exploration Inc.

## Corporate Information

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### Directors

Jean-Pierre Janson, Chairman of the board <sup>1) 2)</sup>

Gino Roger

Germain Carrière <sup>1) 2) 3)</sup>

Robert I. Valliant <sup>1) 3)</sup>

René Branchaud <sup>3)</sup>

### Notes:

- 1) *Member of the Audit Committee*
- 2) *Member of the Compensation Committee*
- 3) *Member of the Corporate Governance Committee*

### Officers

Gino Roger, President and Chief Executive Officer

Mario Masson, Vice-president Exploration

Ingrid Martin, Chief Financial Officer

René Branchaud, Secretary

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Website: [www.explorationmidland.com](http://www.explorationmidland.com)

### Auditors

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### Legal counsel

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### Transfer Agent

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